



uPhongolo Municipality

Annual Report

Financial year 2013/14



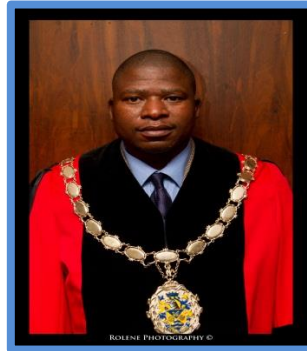
Table of Contents

CHAPTER 1: MAYOR'S FOREWORD.....	4
1.1 MAYOR'S FOREWORD.....	4
EXECUTIVE SUMMARY.....	8
1.2. MUNICIPAL MANAGER'S FOREWORD	8
1.3. MUNICIPAL OVERVIEW.....	11
.....	11
COMPONENT A: DEMOGRAPHIC PROFILE	11
COMPONENT B: ECONOMY GROWTH.....	13
CHAPTER 2 – GOVERNANCE.....	15
COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE.....	15
POLITICAL GOVERNANCE STRUCTURE	15
HIGH LEVEL ADMINISTRATIVE GOVERNANCE.....	15
COMPONENT B: INTERGOVERNMENTAL RELATIONS.....	16
INTERGOVERNMENTAL RELATIONS	16
COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION.....	16
PUBLIC MEETINGS	16
2.5 IDP PARTICIPATION AND ALIGNMENT.....	17
COMPONENT D: CORPORATE GOVERNANCE.....	17
2.6. RISK MANAGEMENT	17
2.7. ANTI-CORRUPTION AND FRAUD	17
2.8. SUPPLY CHAIN MANAGEMENT	18
2.9. BY-LAWS.....	18
2.10. WEBSITES	18
2.11. PUBLIC SATISFACTION ON MUNICIPAL SERVICES	19
2.12. ALL MUNICIPAL OVERSIGHT COMMITTEES	19
CHAPTER 3: SERVICE DELIVERY PERFORMANCE (PERFORMANCE REPORT PART I).....	20
3.1 EXECUTIVE SUMMARY MUNICIPAL PERFORMANCE.....	20
3.4 ORGANISATIONAL SCORECARD.....	24
3.5 CONTRACTOR PERFORMANCE 2013/14.....	48
COMPONENT A: INTRODUCTION TO THE MUNICIPAL PERSONNEL.....	58
4.1 EMPLOYEE TOTALS, TURNOVER AND VACANCIES	58
COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE.....	59
4.2 POLICIES	59
4.3 INJURIES, SICKNESS AND SUSPENSIONS	60
4.4 PERFORMANCE REWARDS.....	61
COMPONENT C: CAPACITATING THE MUNICIPAL WORKFORCE.....	62

4.5 SKILLS DEVELOPMENT AND TRAINING.....	62
COMPONENT D: MANAGING THE WORKFORCE EXPENDITURE.....	64
4.6 EMPLOYEE EXPENDITURE.....	64
CHAPTER 5 – FINANCIAL PERFORMANCE.....	66
CHAPTER 6 – AUDITOR-GENERAL AUDIT FINDINGS.....	83
REPORT ON THE FINANCIAL STATEMENTS.....	83
INTRODUCTION.....	83
ACCOUNTING OFFICER'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS	83
AUDITOR-GENERAL'S RESPONSIBILITY	83
OPINION	84
EMPHASIS OF MATTERS	84
MATERIAL LOSSES	84
ADDITIONAL MATTERS	84
UNAUDITED SUPPLEMENTARY SCHEDULES	84
UNAUDITED DISCLOSURE NOTES	84
REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS	85
PREDETERMINED OBJECTIVES	85
MATERIAL LOSSES	89
APPENDICES.....	99
UPHONGOLO LOCAL MUNICIPALITY ANNUAL FINANCIAL STATEMENTS.....	116
INTERNAL AUDIT COMMITTEE REPORT.....	168
GLOSSARY OF TERMS AND ABBREVIATIONS.....	208

Chapter 1: Mayor's Foreword

1.1 Mayor's Foreword



The Hon Mayor: Cllr. M. M. HADEBE

Honourable Speaker, Members of the Council, the Executive Committee, the Community at large, Municipal Manager and officials, it is with profound gratitude that I present to you the Annual Report for the financial year ending June 2014

Top of our Agenda in this financial year has been a dedicated effort to be one with the strategic priorities issues as promulgated by the Provincial growth and development strategy read together with the National Development plan. As such we have hoisted education, health, fighting crime and corruption, rural development, Job creation, nation building and good governance.

In line with the above strategy and on a groundbreaking note the municipality has embarked on structural projects to address the provincial priority issues. In the education sphere we have continued in our quest to get the small infant in class as early as possible (as prescribed in the NDP) by building crèches in all our communities. Our vision being that there be at least one crèche in all our wards. In this reporting financial year we dedicated almost 2 million for crèches in wards 4, 5 and 11. In the next financial year we will add another crèche in ward 7. Construction is still underway for these projects.

As a way of encouraging a healthy population, we have embarked on a healthy lifestyle campaign, structurally spearheaded by the construction of sports field within our rural and urban wards. Sports field are currently under construction or being upgraded in Mkhwakhweni, Belgrade, Ncotshane and Sigungwini. A total of 5.5 million was provisioned for these sports fields and we are expecting them to be finished early next financial year. It is my conviction that as we do this nation building, creating jobs through, building sports fields, crèches and community halls, many a child shall be saved from crime and HIV and will have a chance to be educated for the better preservation of this our future and our nation.

Over and above these delicate issues noted, the Council has also been busy with other projects that will change the face of uPhongolo for generations to come. To mention but a few of these, High Mast solar lights have been erected and are fully functional in Ncotshane, we hope to deter criminal acts through this provision, Solar street lights were also erected in partnership with COGTA and are fully operational in the CBD. We have also worked notably hard in changing the image of our city roads infrastructure which had become every comedian's opening line. New Republic street, Naude and Jan Mielie streets have recently been given a new life. I assure our motorist and pedestrian citizenry that potholes will by the end of this new financial year be a thing of the past. The Municipality has also embarked on the construction of a new taxi rank and a flea market in the central CBD that are nearing completion stage. This has been aimed at creating new opportunities for the informal sector and entrepreneur in you. The informal sector has a vast job creation capacity and as we continue to evolve ever towards our development, this initiation will stimulate our job creation capacity.

Honourable Speaker, you will remember that in the last financial year R 822 604.00 that was earmarked for EPWP projects was withheld. The explanation for this was under expenditure as only R 200 000 had been spent in 2012/13. I am proud to report today that in the 2013/14 financial year, we not only utilized the 1million EPWP grant but also the R 822 604 Rolled over. In our corrective efforts, the municipality managed to create 10 286 work opportunities. A total of 15 new projects were implemented and the Department of Works has for the next financial year

awarded the municipality R1 837 000.00. We look forward to the next chapter of this and other development as we strive to reach new heights every year.

Council has also recently revised its vision and strategic objectives in the latest IDP. Our new vision reads;

“uPhongolo Local Municipality will ensure an inclusive socio-economy by providing quality services that yields a better life for all by 2030.”

The new strategic objectives have a bearing on our vision and were used in the creation of measurable performance targets for the new financial year. I also welcome our new HOD for community services, Mr. Msezane who has recently joined us. It is our belief that his efforts will further our cause and enable us to meet our mandate as enshrined in the legislation as well as our IDP. Honourable Speaker, we have finally secured the services of a new Corporate services manager. We can attest to our citizenry, that the arrival of these two HODs will only bolster our efforts and enable us to speed up service delivery.

I would like to thank our community members for the tremendous support they have shown during our IDP roadshows which were well attended. We shall continue to create more awareness and more platforms to educate the community on the importance of public participation in an effort to improve service delivery. We believe that our employing of schools, churches, notice boards and other means have been the reason for the strong turnout. We however welcome any suggestions on how we can improve our communication with the community at large.

As we embark on this new financial year, I would like to continue to thank the administration for their hard work as we continue with our turnaround strategy. I urge the community to shy away from destroying public facilities as this will only mean that we divert funds for new development to repair the destroyed structures. This kind of behavior can only lead us backwards. Honourable Speaker, service delivery is what we want to see, it is therefore with concern that critical targets that we set have not been met.

I urge all HODs to instill a culture of deliverance in their departments. I want to see the 8 million that was withheld released and spent in the next financial year. All projects that are lagging behind should have penalties applied to the respective contractors.

Lastly I wish to thank all the Councilors, Honourable Speaker, for the hard work they have put in their respective roles of oversight and as committee members. The Municipality can only achieve more in unison. Also would like to thank the communities of uPhongolo and their parties for orchestrating a peaceful and highly successful election and for the continued support we receive whenever we call upon you. We thank the administration and all the employees for their sacrifice in trying to change the peculiar circumstance of our people that we inherited from apartheid and still struggle to shake off.

I thank you,

Cllr. M. M. HADEBE
HONORABLE MAYOR

Executive summary

1.2. Municipal Manager's Foreword



Mr. N.M. Mabaso

Chapter 7 of the Constitution provides for the establishment and functioning of Local Government

Section 152 (1) states that the objects of local government are -

- to provide democratic and accountable government for local communities;
- to ensure the provision of services to communities in a sustainable manner;
- to promote social and economic development;
- to promote a safe and healthy environment; and
- to encourage the involvement of communities and community organisations in the matters of local government.

In line with the above mandate and in order to better serve our communities the municipality embarked on a strategic meeting where we reexamined our vision and objectives. A SWOT analysis was performed to better understand our position and the direction our development should follow. We also reexamined our organogram to cater for our new mission and our SDBIP is indicative of these changes.

In this reporting financial year we had a set of mixed results. On the brighter side the municipality was able to source funding for the solar street electrification and high mast lights to brighten up Ncotshane and town. We also managed to acquire our own refuse truck which should drastically change the cost setting of this service as much of the work

will be done in-house. A fleet of vehicles was also acquired to intensify project monitoring and allow the municipality to cut costs on travelling associated costs. Our strategy has been to bring in-house routine services that we engage on daily whose cost was ballooning over the years. It is my reckoning that savings made from these undertakings will be ploughed back for the betterment of our people.

We also sought to take the spirit of COPE 17 into practice by implementing a town beautification initiation. The result of this project was a much greener and cleaner Pongola. The municipality addressed the long standing issue of potholes and resurfaced roads in town and several access roads in rural areas. This has totally changed the image of our town making it more attractive for investors.

The previous year the municipality failed to utilize the EPWP grant, I am proud to report to you that in this reporting year we managed not only to create over 70 casual jobs but we also got rewarded by the Department who almost doubled our normal grant to 1.8 million.

Other notable improvements were in IT, new website, Wi-Fi and new computers upgrading from 2007 windows to windows 8 to improve communication. Community consultations with ward councilor's mayoral izimbozozos in compliance with democratic constitution capacitated our audit and MPAC with the intention of improving oversight on administration.

The previous year Audit opinion was less gratifying than we had hoped. The qualification Audit opinion was a wakeup call, as it only inspired us to introduce a series of internal controls including the employment of a risk and performance manager to ensure that the next opinion will be more positive. The qualification itself was based on (leave days) lack of reconciliation; this was primarily caused by the fact that the pay day system we use had a different financial year to the one we use. This has since been rectified and all our leave days tally. The other issues raised were unauthorized expenditure and assets register. I would like to assure the community that the municipality created an audit action plan that closely followed all audit queries throughout the year to insure that the

matters do not recur. We have also hired a new Asset Controller who was promoted from our intern system and is already making a huge difference in that department.

During the 2013 financial year cash from operating activities showed a positive improvement of R 38.9million (R29.9million in 2013). This means the municipality was able to generate sufficient cash through its normal operating activities to sustain its related commitments. Cash from investing activities continued a negative growth from R19million in 2013 to R50million this reporting year. The cash balance was R13.6 million in the year under review as compared to R23.4million in the prior year. This should not be interpreted negatively as the municipality had a healthy R41.5million in surplus in the reporting year. Further. Total liabilities were R36 million against a strong R317 million total assets meaning the municipality is more than able to meet its debtors demands. The municipality borrowed a loan of R4.5 million to finance the vehicle fleet that should see a major reduction in maintenance and vehicle hiring related costs.

In this financial year we welcomed Mr. Msizane as the new Community Services Manager, replacing Ms. Boniwe Zulu who while still acting on the post left to pursue other interest. We are grateful to Council for his appointment and look forward to an improved contribution from his department. I also take this opportunity to bid farewell to Ms. Zulu and wish her all the best in her new endeavors. The interviews for the post of Corporate Services Manager were also conducted and a selection was made. In line with the legislation we have submitted all information required to the MEC of COCTA and await confirmation of the candidate by the MEC. Most operational problems we have had have mainly emanated from the corporate section as it is the engine that drives all personnel. We anticipate that the new era with a full HOD compliment will enable us to maximize our potential and fast track service delivery.

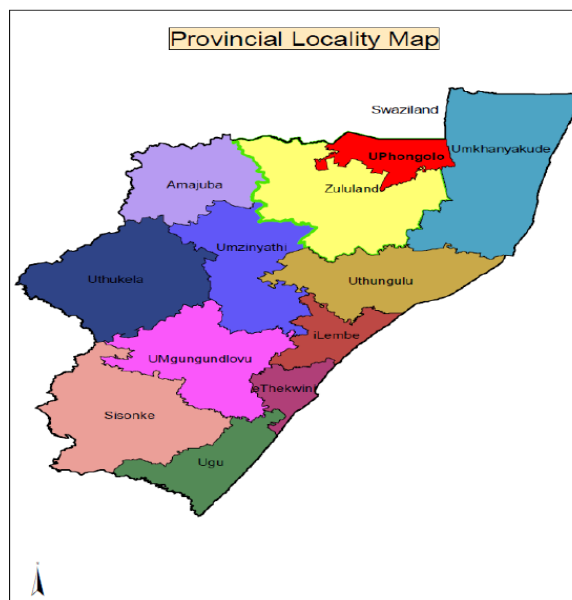
I would like to conclude by thanking you all for your valuable contributions towards unleashing a better life for all in by 2030.

MR. N. M MABASO

MUNICIPAL MANAGER

1.3. MUNICIPAL OVERVIEW

Figure 1.0



The uPhongolo Local Municipality is one of the five local municipalities' located within the area of the Zululand District Municipality. The Municipality is governed by a Council consisting of 27 Councilors and an Executive Committee. The administrative functions are performed by the Municipal Manager, assisted by other S56 managers consisting of the Chief Financial Officer, Technical Services Manager, Corporate Services Manager (selected) and the Community services Manager.

The Municipality is located in KwaZulu-Natal in the Northern area of Zululand District Municipality (DC26). The Municipality consists of 14 wards and it has a geographical area of 3 239km².

COMPONENT A: DEMOGRAPHIC PROFILE

Table 1.2: Area Statistics

Indicator	uPhongolo Municipality
Area	3 239km ²
Population	127 238
Households	28 772
Number of settlements	104
Urban areas	1 town and 4 small urban settlements
Female	67510/53.06%
Male	59728/46.94%

Source: SA Stats 2011

Most of uPhongolo citizens (82%) reside in the rural areas. It is interesting to note that population has decreased dramatically from 149 543 (ZDM household survey 2008) to the current official statistics 2011 showing 127 238. The population experienced a total decrease of 22 305 (14.9%) when compared with ZDM survey results OF 2008. The new administration has undertaken to prioritise the development of uPhongolo making full use of allocations and applying for rollovers for the unspent funds. Females are the dominant gender in Pongola.

Table 1.3: Life statistics

Indicator	Description	Value
Gender breakdown	Males	46.94%
	Females	53.1%
Age breakdown	0 -14	51.78%
	15 -64	43.93%
	65+	4.29%
Life expectancy	In 1998	65 years
	In 2011	48 years

Age breakdown analysis shows a decrease of 12.47% in the 15 to 64 age group meaning that uPhongolo has become a breeding and training ground of the South African labor force were upon attaining qualifications and experience the working age group departs for greener pastures. As such major interventions through the provision of access roads, electricity and proper sanitation are required as our priority areas in the IDP will indicate. This kind of investment will bring development that can lure our citizens to stay and develop with us instead of migrating.

COMPONENT B: ECONOMY GROWTH

UPhongolo has 50 km² of sugarcane and subtropical fruit plantations surrounding it using drastic irrigation systems. The town of Pongola has thrived as a result of the canal system and a sugar mill that was built which together with the sugarcane plantations and government employment sustains the livelihood of the people of uPhongolo. The N2 national road corridor passes through the uPhongolo area as a national link between Gauteng and Richards Bay then Durban in the south. It also connects with Swaziland just to the north of the uPhongolo Municipal area. This is the primary development corridor in uPhongolo.

The Pongola area also has many tourist attractions including Game Farms and Lodges, the Pongolapoort Dam, famed for its Tiger Fishing and surrounding wildlife, cultural history and much more. The town of Pongola is wedged between the Swaziland border and the Pongola River and has all the modern facilities, Supermarkets, Hospital, Small Airport, 9 (hole) Golf Course, Tennis and Bowls. Pongola has an unparalleled selection of excellent game camps and lodges in which to spend the night. Around Pongolapoort Dam there are 10 lodges in the Pongola Game Reserve which has four of the Big 5.

The two main rivers in the municipality are the Mkuze River in the south and the (Pongola) River in the north, the latter feeding the Pongolapoort Dam, located on the eastern boundary of the municipality. Agriculture and tourism form the basis for the municipality's economy. Major development components consist of game and nature reserves, agricultural activities, traditional settlement areas and some urban nodes.

The public sector is the dominant provider of employment opportunities. However, the informal sector is expanding, primarily based on the taxi industry, informal financial services and taverns. Average income levels are low, with 66% of households receiving no income or less than R2 400.00 per month. The traditional and rural areas are the most poverty stricken. Unemployment levels are relatively high; only 13.43% of the population is formally employed. Close to half of the population are children, placing pressure on the need for educational and social facilities. Many of these children are orphaned as a result of HIV/AIDS.

There is a clear sign that more and more young people are getting educated. In 2001 a total of 6757 people had Matric while in 2011 it increased to 15 703(source-census 2011). This becomes a challenge for the municipality if there are limited places of work that will employ this

generation. The district has since embarked on a journey to sensitise the business people on investment opportunities that the district offers. Further a database has been created registering all unemployed youths with the intention of providing them with internship positions to enhance their practical learning and increase their marketability. Further, we have started employing large numbers from all wards under the EPWP programme.

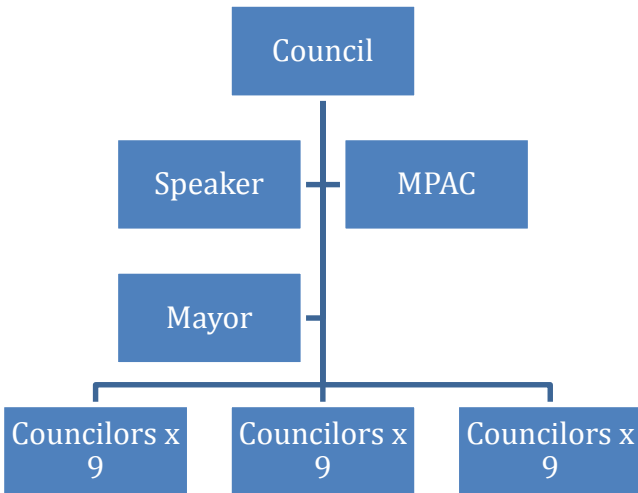
The Municipality has also embarked on several activities to speed up the growth of uPhongolo. This has been achieved by the investment in a flea market complex which has just been completed. This market is expected to benefit from the free flow of tourists visiting the many game reserves in the area, as well as encourage locals to be productive as there is a selling place for their products. There has also been a newly developed mall at uPhongolo which has since seen the attraction of other major retail chains into this growing town. These opportunities have not only increased job opportunities but also have increased the quality of lifestyle for the local citizens as they can now shop at the best shops in South Africa.

Looking into the future, growth in the agricultural sector is predicted to be relatively stagnant at 1.6 % on average for the period 2010-2015. Be that as it may, uPhongolo will see major structural developments in the near future as more and more retailers are establishing their mark on our map. As a municipality we aim to ease and facilitate this development by providing state of the art infrastructure. Currently our roads are in a very bad state but we are correcting that scenario. Growth in the manufacturing sector is predicted to be relatively stagnant at 2.5 % on average for the period 2010-2015. The municipality hopes to speed this up through training of small informal sector business to provide building blocks services, so they can take advantage of the current boom in the building section that is buffered nationally by the current low interest rates.

COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

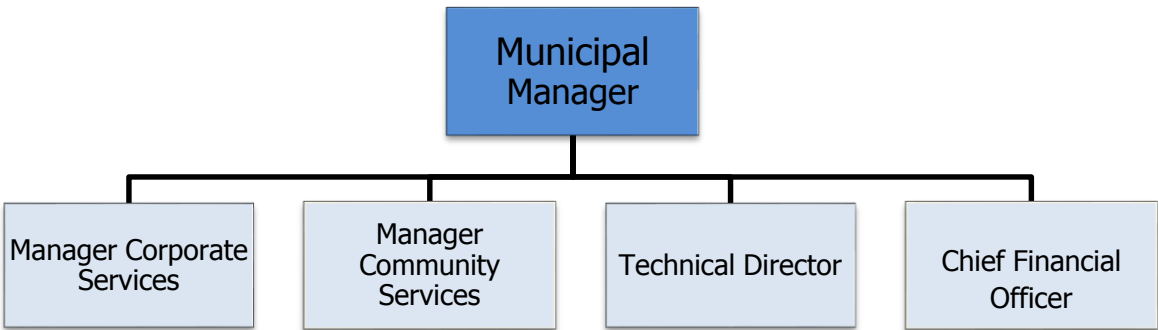
POLITICAL GOVERNANCE STRUCTURE

Figure 2.0



HIGH LEVEL ADMINISTRATIVE GOVERNANCE

Figure 2.1



COMPONENT B: INTERGOVERNMENTAL RELATIONS

INTERGOVERNMENTAL RELATIONS

Municipality maintains healthy relations with all government entities. Most Government structures are always ready to assist when required. It must be mentioned that COGTA provides the most valuable support to this Municipality through regular meetings; finance for certain projects, training of personnel and placements of critical personnel when necessary. It also engages with the district Municipality especially on sanitation and water services. It must be mentioned however, that we currently have a huge backlog in that particular department and we have initiated talks with the district municipality in order to resolve them.

The Municipality also works with different departments in co-ordinating izimbizo and service delivery. The Municipality looks forward to working with the department of education in its endeavours to build sport facilities that can be utilised towards racial integration, as well as the department of rural development to unlock the land potential for our growth in the near future.

COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

PUBLIC MEETINGS

Despite the legislative imperative, local government is, by essence, obliged to maintain effective communication with the communities. Likewise, the communities have a responsibility to participate and be involved in the affairs of the municipality. At uPhongolo local Municipality, engagement with communities is ensured through the following structures and mechanisms:

IDP and budget road shows

Council meetings where we want to start including traditional leaders participation

Mayoral Izimbizo

Print media newsletters, letters and notices for tendering and appointments

Electronic media, notably the website and the municipal video system

Open door policy which allows communities that are disgruntled to walk in and lodge their complains with the relevant officials

Annual reports which are tabled before Council and copies are found on the website and distributed to communities

2.5 IDP PARTICIPATION AND ALIGNMENT

The Municipal Manager has a delegated responsibility from the Mayor, to prepare the IDP for the Municipality. During the IDP review, the following key elements were addressed within the confines of the approved IDP Process Plan and Framework Plan:

Comments were received from the various role-players in the assessment of the IDP Review documentation.

Certain elements of the IDP were reviewed in terms of Council's new priorities, including the Spatial Development Framework.

New information was included.

The IDP was aligned with newly completed Sector Plans

The final IDP was tabled before Council in May 2012. There was consideration of community and stakeholder inputs, leading to the final IDP being approved by Council.

COMPONENT D: CORPORATE GOVERNANCE

2.6. RISK MANAGEMENT

Although all managers and employees are responsible for risk management in their own areas, the municipality has set up committees to address this important task. The risk identified earlier in the Municipal manager's report compounded by community risks such as HIV and AIDS, poverty, illiteracy and unemployment as more and more companies close due to shrinking demand. The municipality's community services department has set up a number of projects to cater for all the risks identified above. These include compiling a database of all the unemployed graduates in our municipality so as to offer them jobs through the maintenance projects as and when they arise.

2.7. ANTI-CORRUPTION AND FRAUD

The Municipality has developed a strategy to detect corrupt and fraudulent activities and has managed to implement this strategy effectively this financial year. It is thus interesting that even though the municipality got a qualified in the previous year, this was not due to incidence of corruption or fraud. The items of emphasis were fruitless expenditure, leave reconciliations and asset register. The municipality has developed an Audit Action Plan to address all issues raised by the AG Office.

MPAC is also meeting as required and carrying out an oversight role and assisting Council by investigating all cases referred to it. An Audit Committee is also in-place comprised 3 members who are highly qualified and all of them are external. The committee met 5 times in this financial year.

The municipality has developed the Fraud prevention strategy that was approved by Council and is being implemented. We also have instituted an enterprise risk management framework which also includes the risk management policy.

The strategy involves;

Surprise audits by the internal audit unit

Post transactions review

Forensic data analysis performed by the KZN forensic services were necessary

Management Accounting report review

The challenges that the audit committee faced in this financial year as the late submission of the financial statements by the hired service providers as the municipality did not have most key personnel for the year. This led to non-auditing of the statements as they came in late. The committee subsequently has recommended that the service provider concerned, be not considered again for engagement by the municipality in any future projects.

2.8. SUPPLY CHAIN MANAGEMENT

The supply chain section performed its operations effectively in this financial year. Most contracts that were awarded followed the procedural route.

2.9. BY-LAWS

The Municipality conducted the review of the by-laws in this financial year and some workshops for public participation were conducted.

2.10. WEBSITES

Section 75 of the MFMA enlists the type of documents that should be posted on the municipal website, namely:

The annual and adjustments budgets, all budget-related documents and policies

The annual report

All performance agreements for section 54A/56 managers

All service delivery agreements;

All long-term borrowing contracts;

All supply chain management contracts above a prescribed value

An information statement containing a list of assets over a prescribed value that have been disposed of

Contracts having future budgetary implications

Public-private partnership agreements listed in section 120 of the MFMA

All quarterly reports tabled in the council in terms of section 52 (d) of the MFMA
Any other documents that are prescribed to be placed on the website in terms of the MFMA or other applicable legislation

uPhongolo Municipality has drafted policies that will ensure full compliance with the requirement of section 75 of the MFMA. As such in this financial year this requirement was complied with fully.

2.11. PUBLIC SATISFACTION ON MUNICIPAL SERVICES

The Municipality is in the process of establishing a desk/book where members of the community will give us feedback by rating their experience with the municipality. Such a book will also provide insight on what other improvements we can work on. Once this is established the municipality will be able to establish public satisfaction with our services.

2.12. ALL MUNICIPAL OVERSIGHT COMMITTEES

All the oversight committees are in place and met regularly as per their scheduling. These are MPAC, Risk Committee, and Audit Committee.

Chapter 3: Service Delivery Performance

(Performance Report Part I)

uPhongolo Local Municipality has five service departments namely the Municipal Manager's office, Finance Department, Technical department, Community Services Department and the Corporate Services department. This chapter will focus on service delivered on a service-by-service basis. The Corporate services section will be dealt with in more detail in chapter 4 while more details on the financial performance will be attended to in chapter 5.

The methodology applied here will be tracing the IDP objectives by key performance areas (community needs and resource deployment) for 2013/14 from vote all the way through to current status highlighting performance attained on those objectives.

3.1 Executive Summary Municipal Performance

Table 1.3 below rates service provision by the Municipality in terms of the IDP translated to SDBIP. As the table below shows the departmental performances were below average with the exception of the Municipal manager's office that achieved 55% of their targets for the year. The least performing department was Community which only managed to fulfill 41.37% of their mandates as prescribed from the SDBIP. Corporate services underperformed with the highest intervention needed figure of 63.15%. The intervention needed figure represents target not met which is however a critical component of the department's KPAs.

Overall the Municipality achieved a 40% achievement on the mandate with objectives in progress at 39.13% for the 2013/14 financial year for the Municipality as a whole.

3.2 The main challenges to performance were;

- Shortage of staff about four middle managers are running their units alone
- Funding challenges
- Additional objectives (this financial year had revised targets which were not complimented by increased staff
- Review of MIG projects from original IDP which resulted in delays in project registration and implementation

- Inclement weather (rain was a consistent source of delay, raising the water table)
- Underground Eskom, Telkom and Zululand district water lines that were not on the map.
This resulted in a redo of the whole plan to avoid the lines.

3.3 Management action to Improve performance;

- Update of underground services on our GPS services
- Plan a year ahead for projects and finalise SCM processes a year ahead
- Filling of critical vacancies
- Capacitate SCM staff and the hiring of SCM Manager

Table 1.3: Performance Results 2013/14

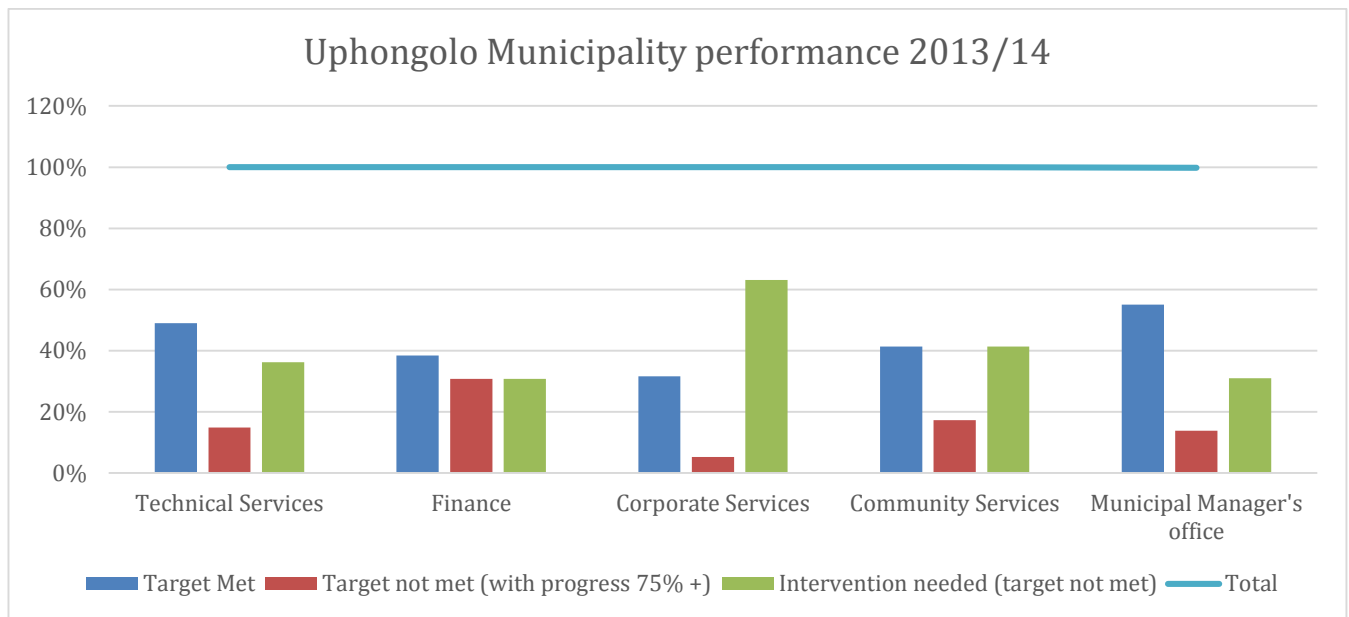
KPI Status	Technical Services	Finance	Corporate Services	Community Services	Municipal Manager's office	Organisational combined
Target Met	48.93%	43.59%	31.57%	41.37%	55%	40%
Target not met (with progress 75%+)	14.89%	30.76%	5.26%	17.24%	13.79%	20%
Intervention needed (target not met)	36.17%	30.76%	63.15%	41.37%	31.03%	39.13%
Total	100%	100%	100%	100%	100%	100%

The performance has regressed as is below last year's performance as evidenced by the Table 1.4 below but this may be due to additional objectives and lack of staff.

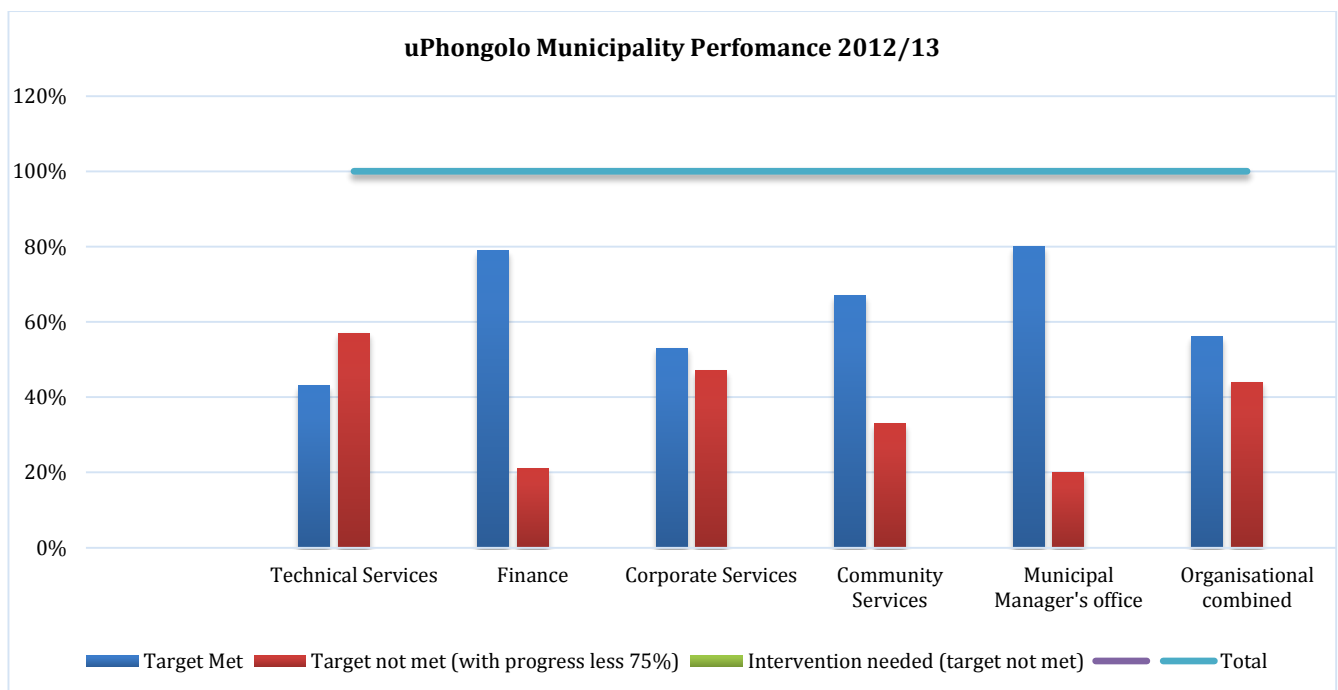
Table 1.4 Performance Results 2012/13

KPI Status	Technical Services	Finance	Corporate Services	Community Services	Municipal Manager's office	Organisational combined
Target Met	43%	79%	53%	67%	80%	56%
Target not met (with progress less 75%)	57%	21%	47%	33%	20%	44%
Intervention needed (target not met)	0%	0%	0%	0%	0%	0%
Total	100%	100%	100%	100%	100%	100%

Graph 01: uPhongolo Municipality Annual Performance



Graphic illustration 02: uPhongolo Municipality Annual Performance 2012/13



The illustration shows that the Municipality suffered an overall 16% drop in its execution of set targets, from a healthy 56% overall to 40% this year. Notable performance challenges were recorded in most departments including finance which dropped by 35% from fulfilling 79% of its targets in 2012/13 to only managing 44% in the 2013/14 financial year. This decline is also attributable to the high vacancy rate in the department, to illustrate the posts of Supply chain manager, budget officer amongst others remain vacant almost a year after being vacant. The technical department continued to toil under staff shortages only managing 49% of their given mandate which is a 5% achievement from the previous year. Community services have got a new head and are going through a normal teething period before performance can be greatly enhanced. It also had a big drop in performance from a healthy 67% to a lowly 41.37% achievement.

3.4 Organisational Scorecard

Org. REF.	NKPA	Goal	Strategic Link	Org. REF.	Strategic Objective	Department	Demand	Baseline	Outcome 9 Output	Key Performance Indicator/Target/Budget/Actual					2013/2014		Planned measure to Improve Performance	
01	02	03	A1	A1.1	To review and implement a credible third generation IDP.	TECH	100%	100%	Implement a differential approach to Municipal Financing, planning and support	KPI	% of IDP review process plan activities completed according to the set time				100%	100%		Target Achieved - All Phases of the process plan completed
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01	02	03	A1	A1.1														

Org. 4			nt PMS cascade down to all levels.				Target	5	5	5	5			end. HOD Corporate Service to formally start work in Quarter 1 of 2014/15
							Actual	4	3	4	4			
Org. 5			To employ and develop a highly effective workforce which is representative of the Municipalities demographic profile.				Budget	Origin	R32 000	Adjusted				
							KPI	No of people from Employment Equity target groups employed in top 5 posts (top 3 mng levels)						
							Target	-	-	1 Black Female	-	1 Black Female	-	Appointment of Black Female in the post of HOD Corporate Service made but assumption of duties to be in Quarter 1 of 2014/14
							Actual	-	-	-	-			
							Budget	Origin	R 30,428	Adjusted				
			To employ and develop a highly effective workforce which is representative of the Municipalities demographic profile.				KPI	% of the skills development budget spent						
							Target	20%-25%	45%-50%	70%-75%	95%-100%			
							Actual	24%	39%	110%	106%	95%-100%	106%	Target exceeded
							Budget	Origin	R 422,400	Adjusted	422400			

Org. 6			A3	A3.3	To employ and develop a highly effective workforce which is representative of the Municipalities demographic profile.	CORP		30	KP I	No. of employees trained according to the skills development plan				40	60	Target exceeded	
									Target	10	10	10	10				
									Actual	7	7	34	12				
									Budget	Original	R 422,400	Adjusted	422400				
Org. 7			A3	A3.4	To employ and develop a highly effective workforce which is representative of the Municipalities demographic profile.	CORP	100%		KP I	No. of prioritized posts filled				32	9	Organogram reviewed and prioritisation of post to be made for implementation from Quarter 1 of 2014/15	
									Target	6	8	10	8				
									Actual	0	7	2	0				
									Budget	Original	R 35,546,523	Adjusted	37526422				
Org. 8	DEVELOPMENT	capacity by 10% each year	A4	A4.1	To provide sufficient and effective support services for all Municipi	CORP	2013/14	None	support	KP I	Date access to information Strategy/Policy developed				30-Jun-14	-	Appoint ment of HOD Corporate Services with improve review the policy
										Target	-	-	-	30-Jun			
										Actual	-	-	-	-			
										Budget	Original	R 100,	Adjusted				

O r g. 9	A4	A4.2	pal operati ons.				et gin al				000			
			To provide sufficie nt and effectiv e support service s for all Munici pal operati ons.	CORP	2013/14	None	KP I	Date Administration enhancement strategy developed				30- Jun- 14	-	Budget provision to be made for the develop ment of the strategy
							Ta rg et	-	-	-	30- Jun			
							Ac tu al	-	-		-			
							Bu dg et	Ori gin al	R 200, 000	Adju sted				
O r g. 10	A4	A4.3	To provide sufficie nt and effectiv e support service s for all Munici pal operati ons.	CORP			KP I	No. of standard operating manuals implemented for all support functions				8	0	Budget provision to be made for the develop ment of the operating manuals
			Ta rg et		2	2	2	2						
			Ac tu al		0	0	0	0						
			Bu dg et		Ori gin al	Adju sted								
O r g. 11	A4	A4.4	To provide sufficie nt and effectiv e support service s for all Munici pal operati ons.	CORP	Complaint / compliment register	None	KP I	Date complaint/compliment register implemented				30- Mar	-	The designing of the book to be submitt ed to SCM for quotation s
			Ta rg et				-	-	30- Mar					
			Ac tu al				-	-	-	-				
			Bu dg et				Ori gin al	Adju sted						
O r g. 12	A4	A4.5	To provide sufficie nt and effectiv	CORP	100%	-	KP I	% of litigations attended to within 30 days of correspondence				80%	100 %	Target Achieved
			Ta rg				80 %	80%	80%	80%				

Org. 13	A4 A4.6	e support services for all Municipal operations.	CORP	4	4	et					4	3	Reporting to be monitored and Reported to Council & EXCO
		Actual				100%	100%	N/A	N/A				
		Budget				Original	R304 28	Adjusted					
		KPI				No of reports sent to COGTA for municipal turnaround strategy implemented							
		Target	1	1	1	1							
		Actual	1	1	1	-							
		Budget	Original			Adjusted							

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De scr .	Quar ter 1 (1 Jul y-30 Sep t)	Quar ter 2 (1 Oct-31 Dec)	Quar ter 3 (1 Jan-31 Marc h)	Quar ter 1 (1 April-30 June)	Annual												
					Targe t	Actu al											
Org. REF. 14	DELIVERY	services by 5% each year	B1	B1.1	To increase the number of households with access to free and basic	TECH	4	0	Improved access to basic services	KP I	Number of meetings held with District on the provision of water and Sanitation				4	0	Date of IGR meetings to be requested from the District in advance for planning
Ta rget	1	1	1	1													
Ac tual	0	0	0	0													
Bu dg et	Ori gin		Adju sted														

Org. 15	B1	B1.2	Municipal services.				et al							purpose
			To increase the number of households with access to free and basic Municipal services.	TECH	1000 housing union built	KPI	Progress in construction of free housing units				Award bid	Bids awarded	Target Achieved	
						Target	-	-	Bid advertised	Contractor Bid awarded				
						Actual	-	-	Bid advertised	Contractor Bid awarded				
						Budget	Original	Adjusted						
Org. 16	B1	B1.3	To increase the number of households with access to free and basic Municipal services.	BTO	6600		KPI	Number of households with access to free basic services (electricity and Gel) – in total				6600	3214	A review of Indigent policy to be done and verification and approval of new indigent register to be done in the next financial year
			Target				6100	6275	6425	6600				
			Actual				3214	3214	3214	3214				
			Budget				Original	R 2,399,971	Adjusted					
			Org. 17				B1	B1.4	To increase the number of households with access to free and	COMMUNITY				
Target	21.20%	21.8%		22.30%	22.90%									
Actual	15%	15%		15%	15%									
Budget	Original	Adju												

O r g. 1 8	B1	B1.5	basic Munici pal service s.				dg et gin al sted						register to be done in the next financial year	
			To increas e the number of househ olds with access to free and basic Munici pal service s.	TECH	100%		KP I	% of Infrastructure maintained according to plan				100%	73%	Additional Grader to be procured for timely maintena nce of roads
							Ta rg et	80 %	85%	90%	100%			
							Ac tu al	35 %	51%	63%	73%			
							Bu dg et	Ori gin al	R8 3 00 000	Adju sted				
O r g. 1 9	B1	B1.6	To increas e the number of househ olds with access to free and basic Munici pal service s.	TECH	100%		KP I	% of households with access to electricity (basic and above level)				61%	60%	Procure ment of services of Contracto r to be done before start of budget year. Delays in construct ion to be fined per contract.
							Ta rg et	58 %	59%	60%	61%			
							Ac tu al	58 %	59%	60%	60%			
										Bu dg et	Ori gin al	Adju sted		
O r g. 2 0	B1	B1.7	To increas e the number of househ olds with access to free	TECH	3386	810	KP I	Number of households electrified (new connections)				810	336	Procure ment of services of Contracto r to be done before start of budget
							Ta rg et	0	168	168	474			
							Ac tu al	0	168	168	0			
										Bu	Ori	R14	Adju	

				and basic Municipal services.				dg etgin 000sted000						year. Delays in construction to be fined per contract.		
O r g. 2 1			B1	B1.8	To increase the number of households with access to free and basic Municipal services.	TECH			KP I	Number (in Kilometers) of new gravel access road				16 Km	6.1275 km	Target to be aligned to standard cost per KM and project implementation to be monitored.
									Ta r g e t	-	-	8 Km	8 Km			
									A c t u a l	-	-	0	6.1275 km			
									Bu d g e t				O r i g i n a l			
O r g. 2 2			B1	B1.9	To increase the number of households with access to free and basic Municipal services.	COMM	22112	3500	KP I	Number of households with access to refuse removal at least once per week				4000	3602	New Compact or Truck to be used from Quarter 1 of 2014/15
									Ta r g e t	3625	3750	3875	4000			
									A c t u a l	3918	3792	3602	3602			
									Bu d g e t				O r i g i n a l			
O r g. 2 3			B1	B1.10	To increase the number of households with access to free	COMM	100%		KP I	% of households with access to refuse removal at least once per week				13.90%	12.50%	New Compact or Truck to be used from Quarter 1 of 2014/15
									Ta r g e t	12.60%	13%	13.50%	13.90%			
									A c t u a l	13.60%	13%	12.50%	12.50%			
									Bu d g e t				O r i g i n a l			

O r g. 2 4	B1 B1.11	and basic Municipal services.				dg et gin al sted			
		To increase the number of households with access to free and basic Municipal services.	COMM	100%	100%	KP I % of indigent and pauper burial requests supported	100%	100%	Target achieved
						Ta r g e t 10 0% 100 % 100 % 100%			
O r g. 2 5	B1 B1.12	To increase the number of households with access to free and basic Municipal services.	TECH	3.1 Km		A c t u a l 10 0% 100 % 100 % 100%	3.1 Km	0.5 km	Sub-contracting to be done to improved project completion on roads.
						Bu d g e t Ori gin al R 2 3 000 000 A d j u s t e d			
						KP I Number (in Kilometers) of new tarred road constructed			
O r g. 2 6	B1 B1.13	To increase the number of households with access to free	TECH	100%	50%	Ta r g e t - - - 3.1 Km	95%-100%	75%	Project registration with MIG and procurement of contractors to be done before
						A c t u a l - - - 0.5 km			
						Bu d g e t Ori gin al A d j u s t e d			
						KP I % spent on capital infrastructure projects (MIG) against Budget	95%-100%	75%	
						Ta r g e t 10 %-15 % 40%-45% 70% - 75% 95%-100%			
						A c t u a l 6% 23% 47% 75%			

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Org. REF.	NKPA	Goal	Strategic Link	Org. REF.	Strategic Objective	Department	Demand	Baseline	Outcome 9 Output	Key Performance Indicator/Target/Budget				2013/2014		Planned measure to Improve Performance
										Quarter 1 (1 July - 30	Quarter 2 (1 Oct- 31 Dec)	Quarter 3 (1 Jan- 31 Marc	Quarter 1 (1 April- 30 June)	Annual		
														Target	Actual	

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Org. 3.2	B3	B3.3	ges.			
			To support and develop the community towards reduction of socio-economic challenges.	COMM	16	4
Org. 3.3	B3	B3.4	To support and develop the community towards reduction of socio-economic challenges.	COMM	16	4
Org. 3.4	B3	B3.5	To support and develop the community towards reduction of socio-economic challenges.	COMM	16	4

[illegible]

Org. REF.	NKPA	Goal	Strategic Link	Org. REF.	Strategic Objective	Department	Demand	Baseline	Outcome 9 Output	Key Performance Indicator/Target/Budget				2013/2014		Planned measure to Improve Performance	
											Quarter 1 (1 Jul - 30 Sep)	Quarter 2 (1 Oct- 31 Dec)	Quarter 3 (1 Jan- 31 March)	Quarter 1 (1 April- 30 June)	Annual		
															Target		Actual
01337	DEVELOPEMNT	year	C1	C1.1	To develop and implement the LED and tourism strategies.	COMM & MM	policy	-	Cooperatives	KPI	Date investment attraction strategy/ incentive policy adopted and implemented				30-Jun	-	Advert to be re-issued for the development of the Incentive policy
									Target	-	-	-	30-Jun				
									Actual	-	-	-	-				

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O r g. 4 2	C1	C1.6	LED and tourism strategies.	COMM	Tourism Strategy	-	Actual	3	8	1	0	30-Jun	Draft @ 30 June	Tourism Strategy to be submitted to Council for approval in Quarter 1 of 2014/15
			Budget				Original	Adjusted						
			KPI				Date tourism and enhancement strategy developed and adopted							
			Target				-	-	-	30-Jun				
O r g. 4 3	C2	C2.1	To increase efforts of supporting the Businesses, SMME's and Cooperatives.	COMM	-	-	Actual	-	-	-	Draft @ 30 June	370	507	Target Achieved
			Budget				Original	R 139 181	Adjusted					
			KPI				Number of Co-ops members and SMME's employees/owners trained							
			Target				100	150	70	50				
O r g. 4 4	C3	C3.1	To increase LED capacity and Governance.	COMM	-	-	Actual	104	258	77	68	2	2	Target Achieved
			Budget				Original	R 544,000	Adjusted					
			KPI				Number of business seminars and summits coordinated							
			Target				0	0	1	1				
O r g. 4 4	C3	C3.1	To increase LED capacity and Governance.	COMM	-	-	Actual	-	-	1	1	2	2	Target Achieved
			Budget				Original	R 1 000 000	Adjusted					
			KPI				Number of business seminars and summits coordinated							
			Target				0	0	1	1				

F.	PA	al	k	F.	Strategi	ent	nd	ine	ut	Key Performance	2013/2014	Planned
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					c Objecti ve					Indicator/Target/Budget						measure to Improve Performa nce	
											Qu art er 1 (1 Jul y- 30 Sep t)	Quar ter 2 (1 Oct- 31 Dec)	Quar ter 3 (1 Jan- 31 Marc h)	Quart er 1 (1 April- 30 June)	Annual		
															Targe t		Actu al
Or g. 4 5	D. NKPA 4: FINANCIAL VIABILITY AND MANAGEMENT	To Increase own revenue by 5% each year			To increas e revenu e collecti on and generat ion yearly.	FINANCE	5%		Improve Municipal Financial and Administrative	KP I	Revenue Growth (%) - Excluding capital grants - (Period under review's Total Revenue Excluding capital grants- previous period's Total Revenue excluding capital grants)/ previous period's Total Revenue excluding capital grants) x 100			= or more than 7%	16%	Target Achieved	
		D1								Ta rg et	7%	7%	7%				7%
		D1.1								Ac tu al	- 59 %	8%	21%				16%
										Bu dg et	Ori gin al	53,5 82,0 13	Adju sted				
Or g. 4 6	D. NKPA 4: FINANCIAL VIABILITY AND MANAGEMENT	To Increase own revenue by 5% each year			To achieve and maintai n a clean audit.	FINANCE	Clean audit	Disclaimer	Improve Municipal Financial and Administrative	KP I	Year clean audit received			Unqua lified report		To prepared Action Plan and monitor impleme ntation thereof on a Monthly basis	
		D1								Ta rg et	-	Clea n audit	-				-
		D1.2								Ac tu al	-	Quali fied	-				-
										Bu dg et	Ori gin al	1,60 0,00 0	Adju sted				
Or g.	D. NKPA 4: FINANCIAL VIABILITY AND MANAGEMENT	To Increase own revenue by 5% each year			To develop ,	ALL	100%		Improve Municipal Financial and Administrative	KP I	% actual Capital expenditure against budget			95%- 100%	61%	To prepare project	
		D2															
	D2.1																

47			annually review and implement the strategy to control expenditure and maintain a healthy cash flow.				Target	20%-25%	45%-50%	70%-75%	95%-100%			cash flows and monitor and notify relevant project owner of under-spending
							Actual	4.70%	26%	45%	61%			
							Budget	Original	R 57,627,250	Adjusted				
							KPI	% of creditors paid within 30 days from receipt of invoice						
							Target	90%	90%	90%	90%			
							Actual	88%	95%	97%	88%			
							Budget	Original		Adjusted				
												100%	88%	Delivery of Invoices by Suppliers to be centralised and monitors from outstanding/unmatched orders
							KPI	% of Operating expenditure budget implementation (actual operating expenditure/budget operating expenditure x 100)				100%	99.5%	Target Achieved
							Target	20%-25%	45%-50%	70%-75%	95%-100%			
							Actual	22	47.9	68%	99.5%			

Original	D3	D3.1	To enforce a fair and legislatively compliance SCM policy.	ALL	100%	.	tu al	%	0%					
							Budget	Original	Adjusted					
							KPI	% of Deviations reported to Council						
Original	D4	D4.1	To budget and report on all Municipal financial transactions and assets according to legislation.	FINANCE	100%	.	TARGET	100%	100%	100%	100%	100%	100%	Target Achieved
							Actual			100%	-			
							Budget	Original	Adjusted					
Original	D4	D4.2	To budget and report on all Municipal financial transactions and assets according to	FINANCE	15-20		KPI	% compliance to the MFMA reporting				100%	89%	Checklist for MFMA report to be used to ensure prompt submission of returns
							TARGET	100%	100%	100%	100%			
							Actual	98%	98%	95%	89%			
Original	D4	D4.2	To budget and report on all Municipal financial transactions and assets according to	FINANCE	15-20		Budget	Original	Adjusted			100%	89%	Improve Debt collection by giving incentive for payment of old Debt
							KPI	Increase Debt Coverage ratio						
							TARGET	2-5	5-10	10-15	15-20			
Original	D4	D4.2	To budget and report on all Municipal financial transactions and assets according to	FINANCE	15-20		Actual	2.42	9.21	13.78	19.4	15-20	19.4	Improve Debt collection by giving incentive for payment of old Debt
							Budget	Original	Adjusted					
									0	0	0			

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O r g. 6 2				strategi es.				et al 9 200							
				To develop and implem ent a public particip ation and commu nication strategi es	MM & COMM	168	168	KP I	Number of ward committee meeting held				168	168	Target achieved
								Ta rg et	42	42	42	42			
								Ac tu al	42	42	42	42			
								Bu dg et	Ori gin al	Adju sted					

Org. REF.	NKPA	Goal	Strategic Link	Org. REF.	Strategic Objective	Department	Demand	Baseline	Outcome 9 Output	Key Performance Indicator/Target/Budget				2013/2014		Planned measure to Improve Performance
										Quarter 1 (1 Jul y-30 Sep t)	Quarter 2 (1 Oct-31 Dec)	Quarter 3 (1 Jan-31 Marc h)	Quarter 1 (1 April-30 June)	Annual		
														Target	Actual	
030709	F. NKPA 6: CROSS CUTTING ISSUES	unity safety	F1	F1.1	To develop and implement an environmental management plan.	MM COMM	Environmental Management plan	-	Coordination	KPI	Date Environmental Management plan developed and adopted			30-Jun	-	To engage service environmental specialist to prepare the plan in the second Quarter of 2014/15
									Target	0	0	0	30-Jun			
									Actual	-	-	-	-			
										Budget	Original	Adjusted				
030709	F. NKPA 6: CROSS CUTTING ISSUES	unity safety	F2	F1.1	To	MM COMM	MMS	-	Coordination	KPI	Date Land use			30-	Draft	LUMS is

r g. 6 4							I	management system adopted				Jun	@ 30 June	to be submitted for comments to all relevant stakeholders prior to adoption
							Ta rg et	-	-	-	30-Jun			
							Ac tu al	-	-	-	Draft @ 30 June			
							Bu dg et	Ori gin al	Adju sted					
O r g. 6 5							KP I	Date frameworks reviewed and incorporated into IDP				30-May	30-May	Target Achieved
							Ta rg et	-	-	-	30-May			
							Ac tu al	-	-		30-May			
							Bu dg et	Ori gin al	R 1,20 7,63 2	Adju sted				
O r g. 6 6							KP I	Date GIS Strategy developed				31-Mar	22 May (Exc o)	GIS strategy to be submitted to Council for final Approval
							Ta rg et	-	-	31-Mar				
							Ac tu al	-	-	-	22 May (Exco)			
							Bu dg et	Ori gin al	Adju sted					
O r g. 6 7							KP I	Date Firefighting and disaster incident Management plan approved				30-Jun	Draft @ 30 June	Draft plan to be submitted for approval in Quarter 1 of 2014/15
							Ta rg et	0	0		30-Jun			
							Ac tu al	-	-		Draft @ 30 June			
							Bu dg et	Ori gin	Adju sted					
							KP I	Date frameworks reviewed and incorporated into IDP				30-May	30-May	Target Achieved
							Ta rg et	-	-	-	30-May			
							Ac tu al	-	-		30-May			
							Bu dg et	Ori gin al	R 1,20 7,63 2	Adju sted				
							KP I	Date GIS Strategy developed				31-Mar	22 May (Exc o)	GIS strategy to be submitted to Council for final Approval
							Ta rg et	-	-	31-Mar				
							Ac tu al	-	-	-	22 May (Exco)			
							Bu dg et	Ori gin al	Adju sted					
							KP I	Date Firefighting and disaster incident Management plan approved				30-Jun	Draft @ 30 June	Draft plan to be submitted for approval in Quarter 1 of 2014/15
							Ta rg et	0	0		30-Jun			
							Ac tu al	-	-		Draft @ 30 June			
							Bu dg et	Ori gin	Adju sted					

O r g. 6 8			F3	F3.2	To develop and implement a disaster management plan and fire services.	COMM	100%	.	et al					100%	100%	Target Achieved
									KP I	% of reported incidents attended to						
									Target	100%	100%	100%	100%			
									Actual	100%	100%	100%	100%			
									Budget	Original	174	Adjusted	745			
O r g. 6 9			F4	F4.1	To participate in Intergovernmental relations.	ALL	4	.	Number of IGR meetings attended					4	1	District municipality to co-ordinate sitting of IGR
									KP I							
									Target	1	1	1	1			
									Actual	0	0	0	1			
									Budget	Original	Adjusted					

3.5 Contractor Performance 2013/14

Generally in the country this financial year, we have witnessed a number of service delivery protests. Slow performance and inclement weather and lack of necessary equipment resulted in unnecessary delays that surely contributed to service delivery protests. The Municipality managed to cancel the contract of the said contractor and has engaged a better equipped and more efficient contractor. The new contractor has since resolved the driveway issue and residents are now parking or accessing their houses with ease albeit he is still to conclude the black tops in the area.

The municipality MIG expenditure for the year was very low as is evidenced by the withholding of 8million subsequently. The municipality embarked on an ambitious 17 MIG and LED projects. Only 23.08% of the MIG and DSR projects were completed. LED projects completed were 50%. Overall the project delivery achievement rate was 52.18%. The explanation for the delay was basically a result of most projects being registered late, lack of staff – the municipality went through the year without any qualified technicians and depending mostly only a very skeleton staff and consultants.

Grass cutting projects was a success story that created employment for local youth as we targeted small contractors that have own machines to cut grass in their own areas. The grass was kept by these youth contractors at a very respectable height. The municipality also had a few challenges with regards to refuse collection however the issues have been ironed out and although we are not matching the national standards of collection we are doing enough to keep our town clean.

Most small contractors delivered on their mandate with the exception of the bins that were unfortunately not delivered.

The table below puts the whole picture into perspective.

Table 06: Contractors table

uPhongolo Municipality Contract Management Report 2013/14																		
No.	BID NO.	NAME OF SERVICE PROVIDER/JV/CONSORTIUM	PROJECT NAME	CORRACT VALUE	EXPENDITURE TO DATE	PERCENTAGE OF COMPLETION %	DATE OF APPOINTMENT	ENDED DATE	KP Ms	DATE FOR ACHIEVEMENT OF KP Ms	PERFORMANCE ON TIME	REASON FOR DELAY IN DELIVERY OF KP Ms	INTERVENTION REQUIRED	IS THE CONTRACTOR IN BREACH	ARE PENALTIES APPLICABLE YES/NO	AMOUNT OF PENALTIES TO BE LEVIED	RECOMMENDATIONS	DATE OF TERMINATION
6	MIG	BTM	BUILT ENVIRONMENT PROFESSIONALS	R 88,620.00	42,358.02													
7	MIG	CHRYSELDA BUILDING (MIG)	CRECHE IN BELGRADE WARD 5	R 633,000.00	-	STILL TO START	24-Jul-14	20-Nov-14	BUILT CRECHE 50 PLE	ONGOING	YES	NO FUNDS AVAILABLE PROJECT DEFERRED	NO	NO	NO	N/A	MONITOR PROGRESS ACCORDINGLY	
8	MIG	BTM	BUILT ENVIRONMENT PROFESSIONALS	R 194,538.91	75,372.85	STILL TO START	3-Jul-14	1-Dec-14	UPGRADE OF SPORTS FIELD NEW GRASS AND CHANGING ROOMS, NEW	ONGOING								

									GAT E										
9	M I G	CHRYSEL DA BUILDIN G (MIG)	UPG RAD E MKH WAK HWE NI SPO RTSF IELD	R 1,3 89, 563 .67		STIL L TO STA RT	3- Jul- 14	1 - D e c - 1 4	UP GRA DE OF SPO RTS FIEL D NE W GRA SS AN D CHA NGI NG RO OM S, NE W GAT E	ON GOI NG	YE S	NO FUN DS AVA ILAB LE PRO JECT DEF ERR ED	NO	NO	NO	N/ A	MONI TOR PROG RESS ACCO RDING LY		
1 0	M I G	NATHOO MBEYAN E	BUIL T ENVI RON MEN T PRO FESS ION ALS	R 84, 000 .00															
1 1	M I G	MELA OKUHLE TRADIN G (MIG)	CREC HE IN SIGU NG WINI WAR D 11	R 600 ,00 0.0 0	NO N	5%	18- Jun- 14	1 - O c t- 1 4	BUI LT CRE CHE 50P PLE	ON GOI NG	YE S	NO FUN DS AVA ILAB LE PRO JECT DEF ERR ED	NO	NO	NO	N/ A	MONI TOR PROG RESS ACCO RDING LY		
1 2	M I G	NATHOO MBEYAN E	BUIL T ENVI RON MEN T PRO FESS ION ALS	R 251 ,98 0.6 3															
1 3	M I G	Mpandla Trading (MIG)	Cons truct ion of Sigu ngwi ni Spor	R 1,7 99, 861 .64	180, 883. 80	12 %	25- Apr- 14	1 3 - N o v - 1 4	CO NST RUC T SPO RTS FIEL D AN	ON GOI NG	YE S	LAN D DISP UTE S WH ERE SPO RTFI	YES	NO	NO	N/ A	WARD COUN CILOR TO GET NEW LAND, INITIA L SITE		

				tfiel d - War d 11					D FEN CIN G			ELD WA S EAR MA RKE D					ABON DONE D DUE TO LAND DISPU TES	
1 4	M I G	AFRI- INFRA	NCO TSH ANE ROA DS	R 560 ,00 0.0 0	383, 319. 99	20 %												
1 5	M I G	DIXIE BAY TRADIN G/MK NJABS (MIG)	NCO TSH ANE ROA DS	R 4,0 00, 000 .00	2,40 3,18 7.73	20 %	18- Jun- 13	8 - A u g - 1 4	2 KM OF BLA CK TOP	08 AUG UST 201 4	NO	NO CAP ACI TY TO EXE CUT E PRO JECT	YES	YES	NO	N/ A	CONTRACT TERMI NATED, NEW CONTRACT OR WITH CAPAC ITY ENGA GED AND IS ON SITE	30- May -14
1 6	M I G	AFRI- INFRA	BUILT ENVI RON MEN T PRO FESS ION ALS	R 868 ,09 7.2 4	811, 074. 62	90 %												
1 7	M I G	KABANI MAMI JV (MIG)	ACC ESS ROA DS WARD 12 AND 13	R 6,2 00, 694 .56	3,94 5,19 1.97	90 %	3- Oct- 13	1 7 - O c t- 1 4	3 KM OF GRA VEL RO AD	30- Jun- 14	YES	N/A	NO	NO	NO	N/ A	CONTRACT OR HAS 6KM KPM AND IS ON TRACK TO COMP LETE ON SCHED ULE	
1 8	M I G	AFRI- INFRA	BUILT ENVI RON MEN T PRO FESS ION ALS	R 342 ,02 4.2 4	342, 019. 98	100 %												
1 9	M I G	CONSTR UCTABIL ITY	HIGH	R 2,4 43,	2,32 0,83	100 %	18- May -13	1 4 -	20 HIGH	24- Mar -14	NO	ESK OM REG	YES	YES	NO	N/ A		DEL AYE D /

		(MIG)	MAS T LIGH TS - NCO TSH ANE	030 .30	8.08			D e c - 1 3	MA ST LIG HTS			ISTR ATI ON - NOT REG ISTE RD ON KZN ESK OM DAT ABA SE						CO MPL ETE
2 0	L E D	AFRI- INFRA	BUIL T ENVI RON MEN T PRO FESS ION ALS	R 305 ,44 4.0 5														
2 1	L E D	EDISON POWER (LED)	INST ALLA TION OF SOL AR STRE ET LIGH TS - PON GOLA	R 2,1 81, 743 .18	2,06 6,58 4.89	100 %	20- Aug- 13	1 5 - Ma r- 1 4	77 SOL AR STR EET LIG HTS	14- Apr- 14	NO	Rain disr upti on	NO	NO	NO	N/ A		DEL AYE D / CO MPL ETE
2 2	L E D	LTE CONSLU LING	BUIL T ENVI RON MEN T PRO FESS ION ALS	R 1,2 20, 843 .72														
2 3	M I G	MK NJABS (MIG)	REH ABILI TATI ON OF JAN MIEL IE AND JAN KEM P STRE ETS	R 3,7 77, 598 .00	3,58 8,71 8.00	100 %	3- Mar -14	5 - Ju n- 1 4	1.2 KM BLA CK TOP	12- May -14	YES	N/A	N/A	NO	NO	N/ A		DEL AYE D / CO MPL ETE
2 4	M I G	MK NJABS (MIG)	VARI ATIO N ORD	R 691 ,98 0.0 0	691, 980. 00	100 %	3- Jun- 14	1 2 - Ju n- 14	200 ME TER S	7- Jun- 14	YES	N/A	N/A	NO	NO	N/ A		DEL AYE D / CO MPL

			ER - HOS PITA L ROA D					n - 1 4										ETE
2 5	M I G	ELEMEN T CONSUL TING	BUIL T ENVI RON MEN T PRO FESS ION ALS	R 185 ,86 8.9 9														
2 6	M I G	BTT GROUP (MIG)	SURF ACIN G OF NEW REP UBLI C STRE ET	R 1,3 27, 635 .66	205, 880. 33	10 %	3- Mar -14	1 3 - J u l - 1 4	300 ME TRE S BLA CK TOP WIT H DRA INA GE	BEH IND SCH EDU LE	NO	DESI GN CLA SHE D WIT H TEL KO M AND ESK OM CAB LES SO NEE DED TO RED ESIG N	NO	NO	NO	N/ A	MONI TOR PROG RESS ON NEW SCHED ULE	
2 7	M I G	ELEMEN T CONSUL TING	BUIL T ENVI RON MEN T PRO FESS ION ALS	R 167 ,77 6.0 0														
2 8	M I G	Maipi Trading (MIG)	Upgr ade of Belgr ade Spor ts Field	R 1,1 98, 400 .00	241, 627. 78	12 %	30- Apr- 14	3 1 - O c t- 1 4	UP GRA DE OF SPO RTS FIEL D NE W GRA SS AN D LIG HTI NG AN D GRA	ON GOI NG	YES	N/A	N/A	NO	NO	N/ A	MONI TOR PROG RESS ACCO RDING LY	

									ND STA ND									
29	MIG	MZANSI AFRICA CIVILS	BUILT ENVIRON MENT PROFESS IONALS	R 203 ,69 7.4 4	128, 947. 37													
30	MIG	LUTHABO CONSTR UCTION (MIG)	ROAD RESURF ACIN G PIET REF & KLAS IE HAV ENG A STRE ET	R 1,4 54, 981 .72	577, 480. 08	40 %	3- Mar -14	31 - Ju l- 1 4	1KM BLA CK TOP	ON SCH EDU LE TO CO MPL ETE BY 31 JULY 201 4	YES	N/A	N/A	NO	NO	N/ A	MONI TOR PROG RESS ACCO RDING LY	
31	LED	MZANSI AFRICA CIVILS	BUILT ENVIRON MENT PROFESS IONALS	R 169 ,39 8.6 3	645, 738. 44													
32	MIG	BUYI'S CIVILS (LED)	IMB UBE CULT URAL CEN TRE PHA SE ONE	R 1,2 09, 990 .24	929, 464. 80	60 %	3- Mar -14	9 - S e p - 1 4	ACC ESS RO AD 300 M AN D EAR TH WO RKS	ON GOI NG	YES	N/A	N/A	NO	NO	N/ A	MONI TOR PROG RESS ACCO RDING LY	
33	LED	GIBB ENGINEE RS	BUILT ENVIRON MENT PROFESS IONALS															
34	LED	DELTRO N	BUILT ENVIRON	R 378 ,80 2.0	347, 004. 00													

			MEN T PRO FESS ION ALS															
35	L E D	ISIBILI DEVELO PMENTS (LED)	FLEA MAR KET PHASE II	R 2,7 05, 728 .72	2,33 0,94 9.58	100 %	21- Aug- 13	3 1 - M a r- 1 4	TRA DE SHE LTE RS, ARE NA STA GE, ENT RAN CE OFF ICE, PAV ING N LAN DSC APE	30- Jun- 14	NO	Rain disr upti on	N/A	YES	NO	N/ A		DEL AYE D / CO MPL ETE
36		BOSTON INK	BUIL T ENVI RON MEN T PRO FESS ION ALS		822, 432. 68	60 %												
	L E D	DELTRO N	BUIL T ENVI RON MEN T PRO FESS ION ALS	R 699 ,87 8.5 4														
37	L E D	PHETHA PRIDOP iv (LED)	PON GOL A SUB TAXI RAN K	R 4,9 99, 132 .46	1,84 8,84 8.14	60 %	21- Aug- 13	8 - A p r- 1 4	TAX I RAN K PLA TFO RM 500 OM² , ABL UTI ON AN D OFF ICE BLO CK, 11 LOA DIN G	ON GOI NG	NO	RAI N DEL AY, CAS HFL OW CHA LLE NGE S	YES	YES	NO	N/ A	MONI TOR PROG RESS ACCO RDING LY	

									BAY S, ELE CTR ICIT Y AN D WA TER									
3 8	D S R	XB CONSTR UCTION (DSR)	UPG RADI NG OF NCO TSH ANE SPO RTS FIEL D	R 2,1 76, 504 .50	1,69 4,46 3.71	78 %	19- Nov -13	3 0 - A u g - 1 4	CO MB CO URT , CHA NGE RO OM S, GRA SS	ON GOI NG	YES		NO	NO	NO	N/ A	MONI TOR PROG RESS ACCO RDING LY	

Chapter 4 – Organisational Development

Performance (Performance Report Part II)

Moreover, public sector information across all three spheres of government is required to improve service delivery across the public sector. Therefore, Public Service Regulations (2001), Chapter 1, Part III J.3: from 1 April 2001, require Annual Reports to include information on planning, service delivery, organisation, job evaluation, remuneration, benefits, personnel expenditure, affirmative action, recruitment, promotions, termination of services, performance management, skills development, injury on duty, labor relations, leave and discharge due to ill-health, etc.

In order to measure the outcome of effective Organisational development the following is highlighted: Organisational structure enhancement; increased accountability; increased participation in problem solving, goal setting and new ideas; and identifying and development of skills needed to perform

In relation to the above, the content of this chapter include the following components:

Component A: Introduction to the municipal workforce (to include staff turnover so as to indicate the stability of the institution).

Component B: Managing the municipal workforce

Component C: Capacitating the municipal workforce.

Component D: Managing the municipal workforce expenditure.

COMPONENT A: INTRODUCTION TO THE MUNICIPAL PERSONNEL

4.1 EMPLOYEE TOTALS, TURNOVER AND VACANCIES

The information cited hereunder is as per the approved organizational structure, as at 30 June 2014. As the table below shows, the Municipality has 53 vacancies from 243 posts. The municipality vacancy rate ended at 28.34% which is a negative increase of 12.34%. The majority of the vacancies are in the financial department with 44.44%, effectively meaning that department is working on a skeleton staff. This increase in vacancy rate can be attributed to a new organogram that was adopted which has a three year implementation plan. The municipality is on track in recruiting for the prioritized posts as per the human resource strategy and implementation plan.

Table 4.1

Description	F/Y 2012/13				F/Y 2013/14			
	No. of Approved Posts	No. of Employees	No. of Vacancies	Vacancies (as a % of Total Posts)	No. of Approved Posts	No. of Employees	No. of Vacancies	Vacancies (as a % of Total Posts)
Financial Services	32	25	7	22%	26	18	8	44.44
Technical Services	108	100	8	8%	102	81	21	25.93
Corporate Services	41	37	4	10%	27	21	6	28.57
Community Services	67	46	21	32%	85	67	18	26.87
Total	248	208	40	16%	243	187	53	28.34

Table 4.2 below shows the turnover rate for the Municipality in successive years from 2012 to 2014. As is evidenced the turnover rate has been escalated by 7%. It should be noted that this is a healthy rate as most people who left were pensioned or died.

Table 4.2

Details	Turnover Rate past 2years			
	No. of Total Appointments as of beginning of the F/Y	Terminations During FY2012/13	Total number of employees	Turnover Rate
FY2012/13	13	11	208	5%
FY2013/14	5	22	187	12%

The table 4.3 below shows the vacancy rate for Senior Management. The municipality ended the year with a 20%vacancy rate for the reporting financial year.

Table 4.3

Vacancy Rate Senior management: 2013/14			
Description	Total No. of Approved Posts	Vacancies	Vacancies (as a % of total posts per category)
Municipal Manager	1	0	0%
CFO	1	0	0%
s.56 Managers (excluding Finance)	3	1	33%
Total	5	1	20%

COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE

Section 67 of the MSA states that "A municipality, in accordance with applicable law and subject to any applicable collective agreement, must develop and adopt appropriate systems and procedures, consistent with any uniform standards prescribed in terms of section 72(l)(c), to ensure fair, efficient, effective and transparent personnel administration..." This component cites the range of workforce management and progress made in the development of workforce policies and management practices during FY2013/14. uPhongolo Municipality did create and approve new policies of this nature in the financial year 2013/14.

4.2 POLICIES

Table 4.2.1

HR Policies and Plans				
	Name of Policy	% Complete	% Reviewed	Date Adopted by Council or Comment on Failure to Adopt
1	Records Management Policy	100	100	30 June 2014
2	Skills development Policy	100	100	30 June 2014
3	Recruitment and Selection Policy	100	100	30 June 2014
4	Learnership Policy	100	100	30 June 2014
5	HIV/AIDS Policy	100	100	30 June 2014
6	Internal Transfer Policy	100	100	30 June 2014
7	Employee wellness Policy	100	100	30 June 2014
8	Study Leave Policy	100	100	30 June 2014
9	Subsidized Motor Vehicle Policy	100	100	30 June 2014
10	Skills Development Policy	100	100	30 June 2014
11	Sexual Harassment Policy	100	100	30 June 2014
12	Occupational Health and Safety Policy	100	100	30 June 2014
13	Acting in Higher or Same level Policy	100	100	30 June 2014
14	Staff appointment policy	100	100	30 June 2014

15	Risk management Framework	100	100	30 June 2014
16	Family responsibility leave policy	100	100	30 June 2014
17	Performance Management policy	100	100	30 June 2014
18	Indigent burial policy	100	100	30 June 2014
19	Travel and Subsistence Policy	100	100	30 June 2014
20	Termination of Service Policy	100	100	30 June 2014
21	Experiential Training Policy	100	100	30 June 2014
22	Probation Period Policy	100	100	30 June 2014
23	IT security policy	100	100	30 June 2014
24	Fleet Management Policy	100	100	30 June 2014
25	Information Communication Technology usage policy	100	100	30 June 2014
26	Collective agreement	100	100	30 June 2014
27	Staff retention policy	100	100	30 June 2014

Table 4.2.1 above shows all the policies that are passed for implementation in the financial year 2013/2014.

4.3 INJURIES, SICKNESS AND SUSPENSIONS

Table 4.3.1

Type of Injury	Injury Leave Taken (Days)	No. of Employees Using Injury Leave	% Proportion of Employees Using Sick Leave	Average Injury Leave per Employee	Total Estimated Cost (R'000)
Required basic medical attention only	0	0	0%	0	
Temporary total disablement	0	0	0%	0	
Permanent disablement	0	0	0%	0	
Fatal	0	0	0%	0	
Total	0	0	0%	0	0

As the above table shows no one was injured in the reporting financial year

Table 4.3.2

Number of days and Cost of sick leave (excluding Injuries on Duty)						
Salary band	Total Sick Leave Days	% Proportion of sick leave without medical certification	No. of employees using sick leave	Total no. of employees in post	Average sick leave per employee (Days)	Estimated cost (R'000)
Lower skilled (Levels 1-2)	76		25	120	0.63333333	
Skilled (Levels 3-5)	35		10	36	0.97222222	
Highly skilled production (Levels 6-8)	2			10	0.2	
Highly skilled supervision (Levels 9-12)	1			13	0.07692308	
Senior management (Levels 13-15)	1		2	4	0.25	
MM and s.57	2			4	0.5	
Total	117	29%	37	187	0.62566845	84 417.13

It should be noted that the “*Total Number of Employees in Post*” refers to the number of employees in post at the beginning of the FY 2013/14. As the table above shows, most sick leave days were claimed at the lower skilled levels in the organisation. The percentage of those days taken without medical certification remains very high at 29%. This is a good indication as the figure has been reduced from 58% in the previous year. Management is currently looking at raising awareness on the benefits of complying with policy amongst the lower level employees in an attempt to curb absenteeism from work.

Table 4.3.3

Number and Period of Suspensions				
Position	Nature of alleged misconduct	Date of suspension	Details of disciplinary action taken or Status of case and reasons why not finalized	Date finalized
Examiner drivers/vehicles (traffic)	Alleged fraud and corruption	29 July 2013	Suspended and charged – resigned during hearing	07/11/2013

As the table above shows, only one senior employee was suspended in the financial year reporting. The said employee resigned during the hearings of his case. Otherwise it was a good year in terms of employee conduct. No cases of financial misconduct were reported in the reporting year.

Table 4.3.4

Disciplinary Action Taken on Cases of Financial Misconduct			
Position	Nature of alleged misconduct and Rand value of any loss to PM	Disciplinary action taken	Date finalised
none			

4.4 PERFORMANCE REWARDS

As the table below attest the municipality has no program for performance rewards currently.

Table 4.4.1

Performance Rewards by Gender					
Designations	Gender	Total No. of Employees in Group	No. of Beneficiaries	Expenditure on Rewards FY2013/14 (R'000)	% Proportion of Beneficiaries Within Group
Lower skilled (Levels 1-2)	Female	N/A			
	Male	N/A			

Skilled (Levels 3-5)	Female	N/A			
	Male	N/A			
Highly skilled production (Levels 6-8)	Female	N/A			
	Male	N/A			
Highly skilled supervision (Levels 9-12)	Female	N/A			
	Male	N/A			
Senior management (Levels 13-15)	Female	N/A			
	Male	N/A			
MM and s.56	Female	N/A			
	Male	N/A			
Total	00	00			

COMPONENT C: CAPACITATING THE MUNICIPAL WORKFORCE

Section 68 of the MSA requires municipalities to develop their human resource capacity to a level that enables them to perform their functions and exercise their powers in an economical, effective, efficient and accountable way.

4.5 SKILLS DEVELOPMENT AND TRAINING

In accordance with the National Treasury: Local Government: MFMA Competency Regulations, progress in the SDM financial competency development is as follows:

Table 4.5.1

Financial Competency Development: Progress Report				
Description	A. Total no. of official employed by PM	Consolidated competency assessments completed	Consolidated no. of officials whose performance agreements comply with Reg. 16	Consolidated no. of officials who meet prescribed competency levels
Financial Officials				
Accounting officer	0	0	1	0
Chief financial officer	1	0	1	0
Accountant	2	2	2	2
Any other officials	13	3		3
Supply Chain Management Officials				
Heads of SCM unit	0			0
Any other officials	7	2		2
Total	23	7	4	7

Table 4.5.2: Skills Development Expenditure

Skills Development Expenditure										
	Original Budget & Actual Expenditure on Skills Development									
Management level	Gender	Employees as @ beginning of FY13/14	Learnerships		Skills Programmes & Other short Courses		Other Forms of Training		Total	
		No.	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual
MM & s57	Female	1								
	Male	3			4	5	0			
Legislators, senior officials and managers	Female	0	0		1		0			
	Male	1								
Professionals	Female	4	1	2	13	15				
	Male	9								
Technicians and associate	Female									
	Male									
Clerks	Female	16			16	11				
	Male	2			2	2				
Community and personal orkrs	Female	22				4				
	Male	9				7				
Plant and machine operators and assemblers	Female	0			0	0				
	Male	13			0	0				
Elementary occupations	Female	40			0	0				
	Male	26			0	0				
Sub-total	Female									
	Male									
Total									1 240 467.15	1 116 019
% and R value of municipal salaries (original budget) allocated for workplace skills plan									4%	R 32 608 583

Notes

R124 448 variance between planned and actual budget for training in this financial year

R450 000 used for bursaries/learnerships this amount as used as community support. It targeted financially struggling tertiary students whose parents cannot afford to send them to university.

R 666 019 used for actual training on short courses this amount as used to bolster current employees through training on skills that they need to execute their jobs effectively.

COMPONENT D: MANAGING THE WORKFORCE EXPENDITURE

As much as training has been done the municipality has long required a skills audit and job evaluation exercise in order to correctly place personnel and initiate the required training. The job evaluation exercise has been conducted so we currently waiting for feedback from hat exercise in order to proceed with relevant training.

4.6 EMPLOYEE EXPENDITURE

The job evaluations from the previous year was finalised and implemented. All positions got an increase on placement to the evaluated order except section 57 staff.

Table 4.6.1

Number of employees whose salaries were increased due to positions being upgraded		
Designations	Gender	Total No. of Employees
Lower skilled (Levels 1-2)	Female	N/A
	Male	N/A
Skilled (Levels 3-5)	Female	N/A
	Male	N/A
Highly skilled production (Levels 6-8)	Female	N/A
	Male	N/A
Highly skilled supervision (Levels 9-12)	Female	N/A
	Male	N/A
Senior management (Levels 13-15)	Female	N/A
	Male	N/A
MM and s.56	Female	N/A
	Male	N/A
Total		

There is one employee that is disabled.

Table 4.6.2

Employees whose salary levels exceed the grade determined by job evaluation				
Occupation	No. of employees	Date of appointment	No. appointed	Reason for variation between salary and job evaluation result
N/A	N/A	N/A	N/A	N/A

Table 4.6.3

Employees appointed to posts not approved				
Department	Level	Date of appointment	No. appointed	Reason for appointment when no established post exists
N/A	N/A	N/A	N/A	N/A

The PM Organisational structure was approved by the employer and employee representative

Chapter 5 – Financial Performance

Chapter 5 contains information regarding financial performance and highlights specific accomplishments. The chapter comprises of three components:

Component A: Statement of Financial Performance

Component B: Spending Against Capital Budget

Component C: Other Financial Matters

COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE

This component provides an overview of the financial performance of uPhongolo local Municipality and focuses on the financial health of the municipality.

5.1 STATEMENTS OF FINANCIAL PERFORMANCE

Table 5.1

Summary Statement of Financial Performance

	R	R	R	R	
Description	2013/14 Revised Budget	2013/14 Actuals	2012/13 Actuals	Variance	2013/14 Budget %
Total Revenue by Source (Excluding capital Transfers)	132 061 293	130 740 866	119 117 987	11 622 897	8.9 %
Total Operating Expenditure	-129 686 291	-136 913 087	-103 025 456	- 33 887 631	25 %
Surplus/deficit	2 375 082	- 6 172 221	16 092 531	-22 264 734	

The table above reflects the financial performance of uPhongolo local Municipality. Year to year revenue grew by 8.9% from R119million to R130million for the reporting year excluding capital transfers. This growth is closely linked to inflationary adjustments. On a similar note the municipality operating expenditure increased from 103million to 136million which represents a 25% year to year increase in expenditure.

5.2 CAPITAL EXPENDITURE PERFORMANCE

Table 5.2

Vote Description	Ref	2012/13	Budget Year 2013/14							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands	1									
Total Capital Expenditure - Standard Classification	3	19 323	57 697	65 735	42 570	42 570	65 735	(23 165)	-35%	65 735
Funded by:										
National Government		18 616	36 500	56 081	37 814	37 814	56 081	(18 267)	-33%	56 081
Provincial Government		–	–	–	–	–	–	–	–	–
District Municipality		–	–	–	–	–	–	–	–	–
Other transfers and grants		–	–	–	–	–	–	–	–	–
Transfers recognised - capital		18 616	36 500	56 081	37 814	37 814	56 081	(18 267)	-33%	32 596
Public contributions & donations	5	–	–	–	–	–	–	–	–	–
Borrowing	6	–	17 542	7 279	4 117	4 117	7 279	(3 162)	-43%	7 279
Internally generated funds		616	3 853	2 375	637	637	2 375	(1 738)	-73%	2 375
Total Capital Funding		19 323	57 697	65 735	42 570	42 570	65 735	(23 165)	-35%	65 735

Table 5.2 reflect the Year to date (YTD) capital expenditure of R42 million of the Total Capital Budget of R65 million. In comparison 2012/13 Audited outcome was R19 million. This means that even though the municipality only managed to get 75% of the budgeted capital they actually spent more than double the amount spent the year prior in capex terms. This was mainly achieved through a more robust focus on the vision and its implementation supported mainly by the addition of staff especially in the critical component of the technical department.

5.3 CASH FLOW

Table 5.3

	R	R	R	R	
	Budget 2013/14	Actual 2013/14	Actual 2012/13	Variance	%
Cash From Operating activities					
Receipts	184 642 646	148 219 190	137 902 907	10 316 283	6.96%
Payments	-113 136 633	-118 270 917	-106 657 366	-11 613 551	9.82%
Net cash flow from operating activities	71 506 013	29 948 273	31 245 541	-1 297 268	-4.33%
Cash Flow from Investing activities					
Net cash from investing activities	-65 735 750	-41 784 302	-20 404 998	21 379 304	51.2%
Cash Flow from Financing activities					
Net cash from financing activities	5 692 179	2 037 146	-3 614 113	-1 576 967	-
Cash and cash equivalents at the end of the year	34 864 170	13 602 845	23 401 728	-9 798 883	-

Table 5.3 shows the Municipality collected R148 million compared to past year result of R137 million. This effectively represents a 6.9% increase in cash raised from operating activities which shows that the municipality is growing its own capacity to generate funds. The variance can be attributed to an increase in estimates for the financial year 2013/14 and effective collection methods. The total net cash from operating activities reflects a total decrease of 34% which the Municipality incurred in the prior year. The table also reflect that net cash from investing activities increased by R21 million or 51% compared to last year results were a decrease of over R15 million was incurred. Net cash from financing activities show a positive balance of 2 million which is a great improvement from the negative R3million incurred the year prior. Cash and cash equivalents however decreased by over 9million% compared to past year results.

5.4 GRANTS

Table 5.4

Name of Grant	Unspent portion 2012/13 financial statement s	Adjustments and Transfers	Receipts during the year	Expenditure during the year	Unspent portion 2013/14 financial statements	Grants and Subsidies delayed /withheld	Reason for delay withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for non- compliance
	R		R	R	R				
Flea Market Grant	3 660 024			(2 874 993)	785 031	No	N/a	Yes	N/a
Municipal Infrastructure Grant	3 680 788		15 514 000	(19 513 339)	(318 551)	Yes	N/a	Yes	N/a
Integrated National Electrification Programme Grant	(13 477 233)		14 000 000	(7 539 239)	(7 016 472)	No	N/a	Yes	N/a
Municipal Systems Improvement Grant	-		890 000	(890 000)	-	No	N/a	Yes	N/a
Finance Management Grant	-		1 650 000	(1 650 000)	-	No	N/a	Yes	N/a
Pound Grant	490 490				490 490	No	N/a	Yes	N/a
Provisionalisation of libraries Grant	-		886 000	(886 000)	-	No	N/a	Yes	N/a
Library Community Services Grant	-		19 000	(19 000)	-	No	N/a	Yes	N/a
Sub-Rank Facility Grant	3 000 000		3 000 000	(3 702 308)	2 297 692	No	N/a	Yes	N/a
Cultural Village Grant	3 000 000			(1 507 473)	1 492 527	No	N/a	Yes	N/a
Street Lights Grant	3 000 000			(2 340 861)	659 139	No	N/a	Yes	N/a
Thusong Centre Operational Grant	308 923			(308 923)	-	No	N/a	Yes	N/a
Sports Facility Grant	525 000		1 200 000	(1 694 464)	30 536	No	N/a	Yes	N/a
Sports Facility Maintenance Grant	-		150 000	(74 465)	75 535	No	N/a	Yes	N/a
Expanded Public Works Programme Grant	822 604		1 000 000	(1 822 604)	-	No	N/a	Yes	N/a
IDP Grant	-		200 000	(200 000)	-	No	N/a	Yes	N/a
Development Administration Grant	205 686				205 686	No	N/a	Yes	N/a
Integrated Electrification	98 000				98 000	No	N/a	Yes	N/a
Tourism Grant Candover	290 862				290 862	No	N/a	Yes	N/a
Strategic Support Grant	93 848				93 848	No	N/a	Yes	N/a
Synergistic Partnership Grant	123 104				123 104	No	N/a	Yes	N/a
Housing Community Gardens Grant	72 864				72 864	No	N/a	Yes	N/a
Planning and Development Grant	47 621				47 621		N/a	Yes	N/a
Municipal Development Grant	100 000				100 000			Yes	N/a
	6 042 581	-	38 509 000	(45 023 669)	(472 088)				

The table above shows that the Municipality performed better than the prior year as they managed to finish the allocated budget which is a new experience for the municipality. From not spending 6million the municipality managed to spend 45million which is 7million over the allocated budget. The variance can be explained in terms of funds allocated but not realized from the Department of Energy.

5.5 ASSET MANAGEMENT

R

The uPhongolo local Municipality has always had challenges with regard to the fixed asset register resulting in the register being GRAP non-compliant. The challenges experienced resulted in the property, plant and equipment being a qualification item in the 2012/13 financial year by Auditor General. The municipality has ensured that all previous year fixed asset errors are addressed, fixed asset reconciliation are compiled monthly and KPMG was also appointed to assist the Municipality to prepare a GRAP compliant fixed asset register. The table below shows the asset situation in perspective.

Table 5.5
Asset Register at June 2014

Details	Opening Balance 2013	Closing balance 2014	% change
Land	17 695 918	17 649 423	(0.26%)
Buildings	12 853 302	14 005 552	8.96%
Plant and machinery	6 149 531	4 913 275	(20.1%)
Furniture and fixtures	2 421 178	2 340 242	(3.34%)
Motor vehicles	2 172 829	6 169 388	183.9%
IT equipment	844 986	1 135 839	34.4%
Infrastructure	63 119 524	82 649 720	30.9%
Capital work in progress	23 892 312	23 892 312	-
Investment property	88 450 091	88 546 477	0.12%

217 599 671	241 302 228	10.9%
-------------	-------------	-------

As the table shows the asset register grew by 10.9% between 31 July 2013 and 30 June 2014. Notable increases occurred in the motor vehicles section at 183.9% owing to new vehicles that were purchased for use by the municipality. This was a desirable move as it also put a stop on the high costs associated with vehicle hire and employee travel claims related costs. IT equipment also incurred a major surge at 34% as the municipality finally moved away from old computers and welcomed windows 8.

Table 5.6**REPAIRS AND MAINTENANCE EXPENDITURE: FY
2013/14****R****R****R****R**

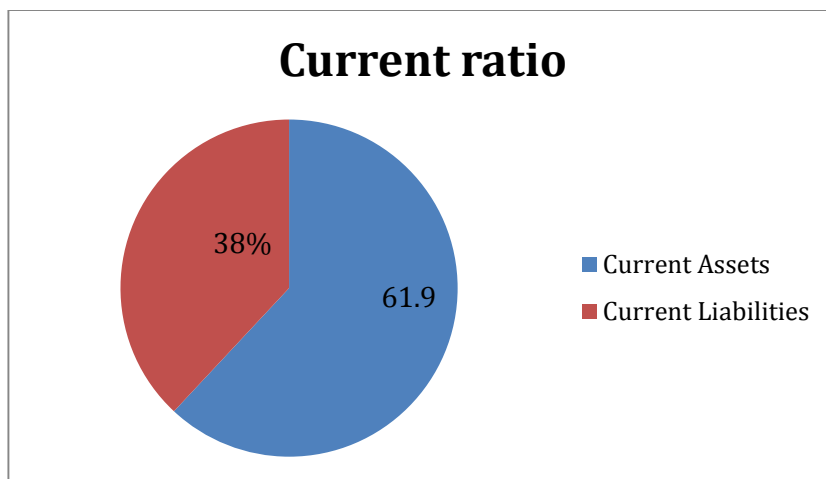
DESCRIPTION	ORIGINAL BUDGET	ADJUSTMENT BUDGET	ACTUAL	BUDGET VARIANCE
REPAIRS AND MAINTENANCE EXPENDITURE	8 241 564	8 241 564	7 554 413	687 151

The table 5.7 above shows a budget variance of R687 151 in repairs and maintenance expenditure. This variance is attributable to maintenance projects which were not implemented especially with regard to road potholes repairs.

FINANCIAL RATIOS BASED ON KEY PERFORMANCE INDICATORS

Current ratio of uPhongolo local Municipality at the end of June 2014 is current assets 61.9% to current liabilities 38%. This figure shows that the municipality's current liabilities grew by 4% for the period from 34% same time last year to 38% as given in the pie chart below. This increase can also be attributed to the new vehicle fleet that the municipality acquired in the reporting financial year.

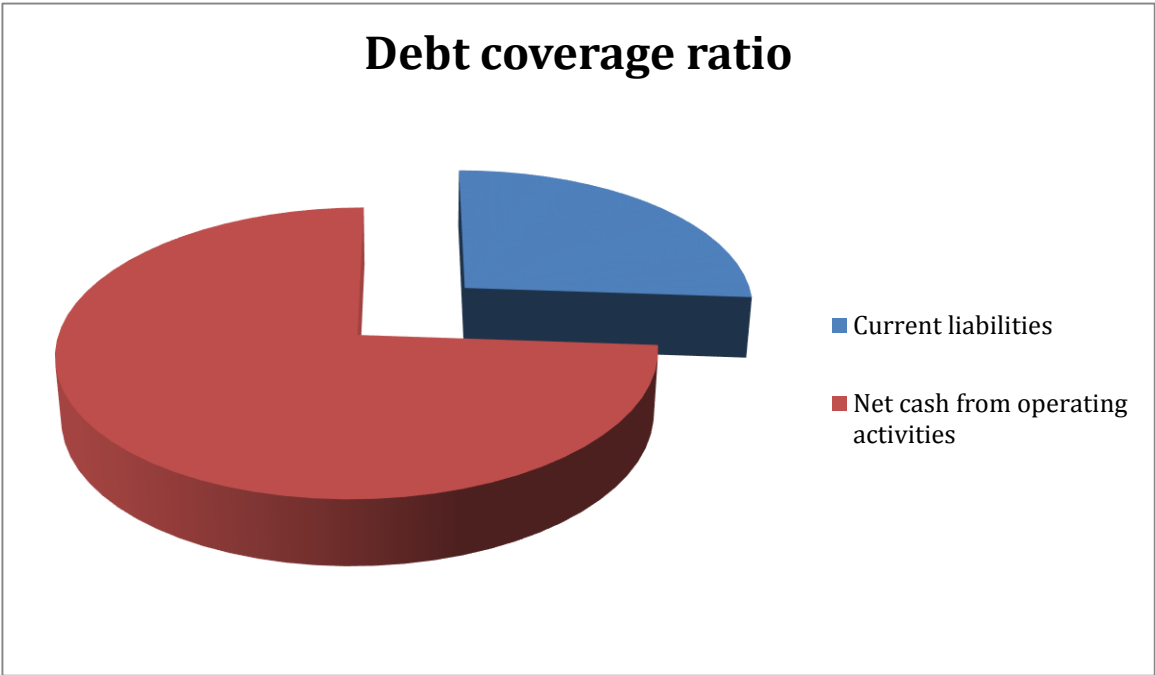
Figure 3.0



5.7 DEBT COVERAGE RATIO FOR UPHONGOLO LOCAL MUNICIPALITY

Figure 3.1

Shows debt coverage ratio: current liabilities divided by net cash from operating activities



5.8 BASIC SERVICE AND INFRASTRUCTURE BACKLOGS – OVERVIEW

The need and cost of backlogs are the result of migration into an area; migration out of an area; the trend towards disaggregation of families into more than one housing unit; and the cost of renewing and upgrading core infrastructure.

Table 5.8.1

Service Backlogs as at 30 June 2014				
	Service level above minimum standard		Service level below minimum standard	
	No. of households	% of households	No. of households	% of households
Electricity	5 306	24	16 806	76
Waste management	6 014	30	19 727	70
Housing	12 998	72	4 976	28

It should be noted that % households are the service above/below minimum standard as a proportion of total households. "Housing" refers to formal and informal settlements.

5.9 MUNICIPAL INFRASTRUCTURE GRANTS

Municipal Infrastructure Grants Expenditure Year 2013/14 on				
Details	Budget	Actual	Expenditure	Variance
	R	R	R	R
MIG	22 500 750	15 514 000	19 513 339	3 999 339
Integrated national electrification	14 000 000	14 000 000	7 539 239	6 460 761
Flea Market Grant (cogta)	2 700 000	-	2 874 993	2 874 993
Sub-rank facility grant (cogta)	6 000 000	-	3 702 308	3 702 308
Cultural village grant (cogta)	3 000 000		1 507 473	1 507 473
street lights & high mast (cogta)	3 681 000		2 340 861	2 340 861
Total	51 881 750	29 541 000	37 478 213	20 885 735

Table 5.9 reflect the total infrastructure budget of R51 million. Of this budget only R29million was realized. The expenditure is R37 million representing 127% implementation. The variance of R8 million between expenditure and actual income represents monies still owed to the municipality by the department of energy for electrification.

5.10 INVESTMENTS

<u>Current Account (Primary Bank Account)</u>	2014	2013
First National Bank Limited - uPhongolo Branch: Account No.62027530858	2 180 251	188 534
First National Bank Limited- uPhongolo Branch: Account No.62253771896	1 938	1 919
Cash book balance at beginning of year	190 453	7 437 712
Cash book balance at end of year	2 182 189	190 453
Bank statement balance at beginning of year	190 453	7 385 712
Bank statement balance at end of year	2 182 189	190 453
Call Accounts		
First National Bank Limited - uPhongolo Branch: Account No. 62032137938		333
First National Bank Limited - uPhongolo Branch: Account No. 62230436405	11 141	11 030
First National Bank Limited - uPhongolo Branch: Account No. 62204162870		2 157
First National Bank Limited- uPhongolo Branch: Account No. 62375357186	20 883	11 094
First National Bank Limited - uPhongolo Branch: Account No.62375342377	22 921	712 979
First National Bank Limited - uPhongolo Branch: Account No. 62377992104	21 312	10 059
First National Bank Limited - uPhongolo Branch: Account No. 62380902017	10 825	267 423
First National Bank Limited - uPhongolo Branch: Account No.62389553085	356 579	2 746 353
First National Bank Limited - uPhongolo Branch: Account No.62389564024	2 677 390	3 051 504
First National Bank Limited - uPhongolo Branch: Account No.62389585286	2 759 289	3 051 504
First National Bank Limited - uPhongolo Branch: Account No.62389586507	812 114	3 051 504
First National Bank Limited- uPhongolo Branch: Account No.62404561377	143 222	48 443
First National Bank Limited - uPhongolo Branch: Account No.62404287345	405 053	6 052 128
First National Bank Limited- uPhongolo Branch: Account No. 62417482289	104 264	100 000
First National Bank Limited - uPhongolo Branch: Account No.62417484235	417 060	400 000
First National Bank Limited - uPhongolo Branch: Account No. 62417486190	14 108	525 000
First National Bank Limited- uPhongolo Branch: Account No. 62305239718	776 656	749 234
Nedbank Limited- uPhongolo Branch: Account No. 0317165014950/000001		549 356
Nedbank Limited- uPhongolo Branch: Account No. 03/7165014950/000002	8 488	28 244
Nedbank Limited- uPhongolo Branch: Account No.03/7165014950/000003	219 372	
Nedbank Limited- uPhongolo Branch: Account No.0317165014950/000004	1 255 938	
Standard Bank Limited - Vryheid Branch: Account No.068686234-001		86 129
Standard Bank Limited - Vryheid Branch: Account No.068686234-002	1 027 063	977 373
Standard Bank Limited - Vryheid Branch: Account No.068686234-003	1 347	1 316
Standard Bank Limited - Vryheid Branch: Account No.068686234-004		439 836
Standard Bank Limited- Vryheid Branch: Account No. 742757800911	353 991	337 702
Cash book balance at beginning of year	23 210 701	8 403 058

Table 5.10 is showing cash and cash equivalent of the municipality which is R 23 million as at 30 June 2014. The large portion of investment is cash backing the unspent grants, others arises from the savings and interest. The result shows a positive development for the Municipality as its liquidity has improved from 8million the previous year to 23million the reporting year.

5.11 BORROWING

		R	R	R	R	
EXTERNAL LOANS	Loan number	Redeemable Date	Balance at 30 June 2013	during the period	during the period	Balance at 30 June
LONG-TERM LOANS			2014 R	R	R	R
First National Bank	4000014520209	11/06/2014	675 077	75589	-750 666	-
Amalgamated Banks of South Africa (Absa)	8061728158	31/08/2015	1 330 058	87 896	-484 777	933 177
Development Bank of South Africa (DBSA)	61002545	30/06/2013	74 669	18 965	-93 634	-
Total long-term loans			2 079 804	182 450	(1 329 077)	933 177

Installments sale agreements

The Municipality is not highly geared. Thus our risk of default is very low. The total external outstanding loans is R 2 million and the total installments sale agreements outstanding is R2.9 million, there are no accounts that are in arrears.

COMPONENT C: OTHER FINANCIAL MATTERS

SUPPLY CHAIN MANAGEMENT

The Municipality is still in the process of acquiring the services of a supply chain manager. One official has achieved the minimum requirements NQF6 in MFMP. Two other officials are still attending MFMP training with a recognized tertiary institution. The tendering processes were followed in all the tenders that were awarded in this financial year.

GRAP COMPLIANCE

GRAP is the acronym for Generally Recognized Accounting Practice and it provides the rules by which municipalities are required to maintain their financial accounts. The Municipality complied totally with all GRAP requirements for this financial year.

Chapter 6 – Auditor-General Audit Findings



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVINCIAL LEGISLATURE AND COUNCIL ON UPHONGOLO MUNICIPALITY

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the uPhongolo Municipality set out on pages ... to ..., which comprise, the statement of financial position as at 30 June 2014, the statement of financial performance, statement of changes in net assets, the cash flow statement and the statement of comparison of budget information with actual information for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Local Government: Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003)(MFMA) and the Division of Revenue Act of South Africa, 2013 (Act No. 2 of 2013)(DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the general notice issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's

judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the municipality's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the uPhongolo Municipality as at 30 June 2014, and its financial performance and cash flows for the year then ended in accordance with the SA Standards of GRAP and the requirements of the MFMA and DoRA.

Emphasis of matters

7. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Material losses

8. As disclosed in note 31 to the financial statements, material electricity losses to the amount of R2, 25 million (11%) was incurred as a result of distribution losses.

Going concern

9. Note 65 to the financial statements indicate that at 30 June 2014 the municipality's current liabilities of R25, 87 million exceeded its cash resources of R13, 60 million by R12, 27 million. The condition highlights the fact that the municipality was not in a position to meet its current obligations as they fall due. This indicates the existence of a material uncertainty that may cast significant doubt on the municipality's ability to operate as a going concern.

Additional matters

10. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Unaudited supplementary schedules

11. The supplementary information set out on pages xx to xx do not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon.

Unaudited disclosure notes

12. In terms of section 125(2) (e) of the MFMA, the municipality is required to disclose particulars of non-compliance with the MFMA. This disclosure requirement did not form part of the audit of the financial statements and accordingly I do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

13. In accordance with the PAA and the general notice issued in terms thereof, I report the following findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report, non-compliance with legislation as well as internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Predetermined objectives

14. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected objectives presented in the annual performance report of the municipality for the year ended 30 June 2014:
- Objective NKPA 2: Basic service delivery on pages x to x
 - Objective NKPA 3: Local economic development on pages x to x
15. I evaluated the reported performance information against the overall criteria of usefulness and reliability.
16. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned programmes. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for managing programme performance information* (FMPPI).
17. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
18. The material findings in respect of the selected programmes are as follows:

Basic service delivery

Usefulness of information

Measurability

Performance targets are not measurable

19. The FMPPI requires that performance targets be measurable. The required performance could not be measured for a total of 39% of the targets. Management was aware of the requirements of the FMPPI but chose not to apply the principles contained therein.

Performance indicators not well defined

20. The FMPPI requires that indicators should have clear unambiguous data definitions so that data is collected consistently and is easy to understand and use. A total of 89% were not well defined in that clear, unambiguous data definitions were not available to allow for data to be collected consistently. Management was aware of the requirements of the FMPPI but chose not to apply the principles contained therein.

Reliability of information

Reported performance not reliable

21. The FMPPI requires that institutions should have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. The information presented with respect to the basic service delivery and infrastructure objectives was not reliable when compared to the source information and evidence provided. This was due to the lack of standard operating procedures for the accurate recording, monitoring and reporting of actual achievements.

Local economic development

Usefulness of information

Measurability

Performance targets are not measurable

22. The FMPPI requires that performance targets be measurable. The required performance could not be measured for a total of 25% of the targets. Management was aware of the requirements of the FMPPI but chose not to apply the principles contained therein.

Performance indicators not well defined

23. The FMPPI requires that indicators should have clear unambiguous data definitions so that data is collected consistently and is easy to understand and use. A total of 20% were not well defined in that clear, unambiguous data definitions were not available to allow for data to be collected consistently. Management was aware of the requirements of the FMPPI but chose not to apply the principles contained therein.

Reliability of information

Reported performance not reliable

24. The FMPPI requires that institutions should have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. The information presented with respect to the local economic development objectives was not reliable when compared to the source information and evidence provided. This was due to the lack of standard operating procedures for the accurate recording, monitoring and reporting of actual achievements.

Additional matter

25. I draw attention to the following matter:

Achievement of planned targets

26. Refer to the annual performance report on pages xx to xx for information on the achievement of planned targets for the year. This information should be considered in the context of the material findings on usefulness and reliability of the reported performance information for the selected programme reported in paragraphs 19 to 24 of this report.

Compliance with legislation

27. I performed procedures to obtain evidence that the municipality has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the general notice issued in terms of the PAA are as follows:

Expenditure management

28. Reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1) (d) of the MFMA.
29. Money owing by the municipality was not always paid within 30 days or an agreed period, as required by section 65(2) (e) of the MFMA.

Annual financial statements

30. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements of non-current assets, current assets, liabilities, revenue, and expenditure items identified by the auditors in the submitted financial statements were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

Asset management

31. An effective system of internal control for assets was not in place, as required by section 63(2) (c) of the MFMA.
32. Capital assets were sold without evidence of the approval of council, as required by section 14(2) (a) of the MFMA and Municipal asset transfer regulation 5.

Human resource management

33. An approved staff establishment was not in place, as required by section 66(1) (a) of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000)(MSA).
34. The acting supply chain management manager was appointed for a period of more than six months in contravention of section 56(1) (c) of the MSA.

Procurement and Contract management

35. Sufficient appropriate audit evidence could not be obtained that goods and services with a transaction value of below R200 000 were procured by means of obtaining the required price quotations, as required by Supply chain management (SCM) regulations 17(a) and (c).
36. Bid adjudication was not always done by committees which were composed in accordance with SCM regulation 29(2).

Internal control

37. I considered internal control relevant to my audit of the financial statements, name of performance report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted

in the basis for qualified opinion, the findings on the performance report and the findings on compliance with laws and regulations included in this report.

Leadership

38. Oversight processes were not adequate to ensure compliance with SCM processes due to vacancies in key posts in the finance and SCM sections. Furthermore, consultants were appointed to perform the Value Added Tax reconciliations and returns as management did not have adequate skills and sufficient knowledge of key legislative requirements.

Financial and performance management

39. The accounting officer did not implement adequate monitoring and evaluation processes to ensure that all requirements of laws and regulations are complied with timeously. Furthermore, due to inadequate monitoring, performance and financial related non-compliances were not identified timeously to implement corrective measures, as was evidenced by the material corrections required to the financial statements and weaknesses in the reported performance information.

OTHER REPORTS

Investigations

40. The corporate services management at the municipality is currently performing five investigations covering the 2013/14 financial year. Four of these cases are SCM and/or procurement related, whilst other one relates to the illegal issuing of drivers licences. Two of the cases are at a stage where criminal cases are being opened with the South African Police Services and the other three are still awaiting finalisation of disciplinary hearings.



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

UPHONGOLO MUNICIPALITY AUDIT ACTION PLAN (Updated to 20 January 2015)

ACTION PLAN ON AUDITOR GENERAL FINDINGS: YEAR ENDED 30 JUNE 2014

AR Para No.	REPORT FINDING	PROPOSED ACTION TO BE IMPLEMENTE D	RESPONSIBL E PERSON	TARGET DATE	CURRENT STATUS/PROGRE SS
Chapte r 6 para no 8	Material losses 1. As disclosed in note 31 to the financial statements, material electricity losses to the amount of R2, 25 million (11%) was incurred as a result of distribution losses.	An electrician has been appointed on a permanent basis. As one of his responsibilities he will undertake the investigation of electricity losses and monitor the performance of the overall system on a regular basis.	LMV Cele	Monthly	
Chapte r 6 para no 9	Going concern 2. Note 65 to the financial statements indicates that at 30	The going concern is as a result of funding capital projects, in	CFO	30/06/2015	

	<p>June 2014 the municipality's current liabilities of R25, 87 million exceeded its cash resources of R13, 60 million by R12, 27 million. The condition highlights the fact that the municipality was not in a position to meet its current obligations as they fall due. This indicates the existence of a material uncertainty that may cast significant doubt on the municipality's ability to operate as a going concern.</p>	<p>particular the electricity program, using the equitable share. The going concern position will be restored once the municipality has been reimbursed by DOE. The municipality is currently negotiating the reimbursement with DOE.</p>			
<p>Chapter 6 para no 22</p>	<p>Performance targets are not measurable</p> <p>3. The FMPPI requires that performance targets be measurable. The required performance could not be measured for a total of</p>	<p>Performance Target will be revised to ensure that the SMART principles are applied to all.</p> <p>A third party will be requested to review the</p>	<p>Risk and Performance Manager</p>	<p>31 January 2015</p>	

	39% of the targets. Management was aware of the requirements of the FMPPI but chose not to apply the principles contained therein.	amended performance targets to ensure they are fully measurable			
Chapter 6 para no 23	Performance indicators not well defined 4. The FMPPI requires that indicators should have clear unambiguous data definitions so that data is collected consistently and is easy to understand and use. A total of 20% were not well defined in that clear, unambiguous data definitions were not available to allow for data to be collected consistently. Management was aware of the requirements of the FMPPI but chose not to apply the principles	Performance Target will be revised to ensure that the SMART principles are applied to all.	Risk and Performance Manager	31 January 2015	

	contained therein.				
Chapter 6 para no 24	<p>Reported performance not reliable</p> <p>5. The FMPPPI requires that institutions should have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. The information presented with respect to the local economic development objectives was not reliable when compared to the source information and evidence provided. This was due to the lack of</p>	<p>A web-based PMS system will be implemented which will help resolve most of the findings.</p> <p>Head of Departments will review the performance report and related POE on a quarterly basis.</p> <p>On-going review of the POE will be done prior to submission to the Audit Unit and the Auditor General.</p>	Risk and Performance Manager	<p>27 February 2015</p> <p>On-going</p>	

	standard operating procedures for the accurate recording, monitoring and reporting of actual achievements.				
Chapter 6 para no 28	Expenditure management 6. Reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1) (d) of the MFMA.	Measures have been put in place to reduce the occurrence of irregular expenditure by ensuring that a minimum of 3 quotations for all orders below R200 000 are obtained and contracts with suppliers are entered into where necessary.	SCM Manager	Monthly	
Chapter 6 para no 29	Expenditure management 7. Money owing by the municipality was not always paid within 30 days or an agreed period, as required by section 65(2) (e) of the MFMA.	The municipality has put internal controls to ensure that at least 95% of suppliers' invoices are paid within 30 days of receipt of invoices. The relevant officials have been	Expenditure Accountant	Monthly	

		requested to stamp the invoices with the date of receipt and capture that date on the accounting system and not the date of invoice.			
Chapter 6 para no 30	Annual financial statements 8. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements of non-current assets, current assets, liabilities, revenue, and expenditure items identified by the auditors in the submitted financial statements were subsequently corrected, resulting in	The causes of year-end adjustments are currently being addressed. New internal controls have been put in place to prevent the reoccurrence of similar errors. The controls are monitored on a monthly basis.	CFO	Monthly	

	the financial statements receiving an unqualified audit opinion.				
Chapter 6 para no 31	Asset management 9. An effective system of internal control for assets was not in place, as required by section 63(2) (c) of the MFMA.	The municipality has employed more personnel in the newly established asset management unit to strengthen the controls whilst waiting for National Treasury to approve the SCOA compliant financial accounting system.	CFO	30/06/2015	
Chapter 6 para no 32	Asset management 10. Capital assets were sold without evidence of the approval of council, as required by section 14(2)(a) of the MFMA and Municipal asset transfer regulation	This happened during era of the old administration. Current administration complies with section 14(2) a) of the MFMA.	No action required	N/A	

Chapter 6 para no 33	Human resource management 11. An approved staff establishment was not in place, as required by section 66(1) (a) of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).	The municipality has a staff established which was approved by Council in June 2013 and has since been reviewed.	Corporate Services Manager	30/06/2015	
Chapter 6 para no 34	12. The acting supply chain management manager was appointed for a period of more than six months in contravention of section 56(1) (c) of the MSA.	The municipality has shortlisted candidates for the position of SCM Manager and interviews will be done in February 2015.	CFO	31/03/2015	
Chapter 6 para no 35	Procurement and Contract management 13. Sufficient appropriate audit evidence could not be obtained that goods and services with a transaction value of below R200 000 were	A register of quotations below R200 000 is kept by the SCM Unit and discloses the number of quotations received. The SCM Unit now			

	procured by means of obtaining the required price quotations, as required by Supply chain management (SCM) regulations 17(a) and (c).	ensures that the			
Chapter 6 para no 36	14. Bid adjudication was not always done by committees which were composed in accordance with SCM regulation 29(2).				
Chapter 6 para no 38	Leadership 15. Oversight processes were not adequate to ensure compliance with SCM processes due to vacancies in key posts in the finance and SCM sections. Furthermore, consultants were appointed to perform the Value Added Tax reconciliations and returns as management did not				

	have adequate skills and sufficient knowledge of key legislative requirements.				
Chapter 6 para no 39	Financial and performance management 16. The accounting officer did not implement adequate monitoring and evaluation processes to ensure that all requirements of laws and regulations are complied with timeously. Furthermore, due to inadequate monitoring, performance and financial related non-compliances were not identified timeously to implement corrective measures, as was evidenced by the material corrections required to the financial statements and weaknesses in the	A compliance review will be done quarterly by the Risk and Performance Manager. The findings from the review will be presented to Manco Risk Committee and Audit Committee. The checklist will be used to performance the compliance review.	Risk and Performance Manager	31 March 2015 30 June 2015	

	reported performance information.				
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APPENDICES

APPENDIX A – ANNUAL FINANCIAL STATEMENTS
 APPENDIX A (i) INTERNAL AUDIT COMMITTEE REPORT
 APPENDIX A (ii) - COUNCILLORS; COMMITTEE ALLOCATION AND COUNCIL ATTENDANCE
 APPENDIX B – COMMITTEES AND COMMITTEE PURPOSES
 APPENDIX C –THIRD TIER ADMINISTRATIVE STRUCTURE
 APPENDIX D – FUNCTIONS OF MUNICIPALITY / ENTITY
 APPENDIX E – WARD REPORTING
 APPENDIX F – WARD INFORMATION
 APPENDIX G – RECOMMENDATIONS OF THE MUNICIPAL AUDIT COMMITTEE YEAR 2013/14
 APPENDIX H – LONG TERM CONTRACTS AND PUBLIC PRIVATE PARTNERSHIPS
 APPENDIX J – DISCLOSURES OF FINANCIAL INTERESTS
 APPENDIX K: REVENUE COLLECTION PERFORMANCE BY VOTE AND BY SOURCE
 APPENDIX K (i): REVENUE COLLECTION PERFORMANCE BY VOTE
 APPENDIX K (ii): REVENUE COLLECTION PERFORMANCE BY SOURCE
 APPENDIX L: CONDITIONAL GRANTS RECEIVED: EXCLUDING MIG
 APPENDIX M (i): CAPITAL EXPENDITURE - NEW ASSETS PROGRAMME
 APPENDIX N – CAPITAL PROGRAMME BY PROJECT YEAR 2013/14
 APPENDIX O – CAPITAL PROGRAMME BY PROJECT BY WARD YEAR 2013/14
 APPENDIX P – SERVICE CONNECTION BACKLOGS AT SCHOOLS AND CLINICS
 APPENDIX Q – SERVICE BACKLOGS EXPERIENCED BY THE COMMUNITY WHERE ANOTHER
 SPHERE OF GOVERNMENT IS RESPONSIBLE FOR SERVICE PROVISION
 APPENDIX R – DECLARATION OF LOANS AND GRANTS MADE BY THE MUNICIPALITY
 APPENDIX S – NATIONAL AND PROVINCIAL OUTCOMES FOR LOCAL GOVERNMENT

APPENDIX A



uPhongolo Local Municipality

Annual Financial Statements
for the year ended 30 June 2014

Annual Financial Statements

- for

uPhongolo Local Municipality

For the year ended 30 June: 2014

Province:

KwaZulu Natal

AFS rounding:

R (i.e. only cents)

- Contact Information:

Name of Municipal Manager:	Mabaso NM
Name of Chief Financial Officer:	Mthethwa MR
Contact telephone number:	034 413 1223
Contact e-mail address:	rodneym@uphongolo.gov.za
Name of contact at provincial Treasury:	Mofoka L
Contact telephone number:	034 413 4423
Contact e-mail address:	Lenoo.Mofoka (@) kzentreasury.gov.za
Name of relevant Auditor:	Auditor General
Contact telephone number:	033 264 7400
Contact e-mail address:	wendva@agsa.co.za
Name of contact at National Treasury:	Ayanda Lekopa
Contact telephone number:	012 315 5453
Contact e-mail address:	Ayanda.Lekopa@treasury.gov.za

uPhongolo Local Municipality

Annual Financial Statements
for the year ended 30 June 2014

General information

Members of the Council

Hadebe M M	Mayor
Ngema J B	Deputy Mayor
Ngcamphalala H V	Speaker
Simelane S R	Whip
Makhoba M B	Member of the Executive Committee
Buthelezi E N	Member of the Executive Committee
Thabethe A Z	Member of the Executive Committee
Nxumalo K E	MPAC Chairperson
Nxumalo Z L	Member
Simelane F F	Member
Mkhwanazi N J	Member
Phakathi M J	Member
Dlamini M J	Member
Mavuso N P	Member
Khumalo M P	Member
Mtungwa S	Member
Nkumane M C	Member
Nyawo D	Member
Gumbi NT	Member

Municipal Manager

Mabaso N M

Chief Financial Officer

Mthethwa M R

Grading of local Authority

Grade: 3

Auditors

Auditor-General

Legal Advisors

Norton Rose Fulbright

Mdledle and Associates

Bankers

First National Bank

Nedbank

Standard Bank

uPhongolo Local Municipality

Annual Financial Statements
for the year ended 30 June 2014

General information (continued)

Registered Office:	uPhongolo Municipality
Physical address:	61 Martin Street Pongola 3170
Postal address:	P O Box 191 Pongola 3170
Telephone number:	034 413 1223
Fax number:	034 413 1706
E-mail address:	www.uphongoloonline.gov.za

uPhongolo Local Municipality

Annual Financial Statements
for the year ended 30 June 2014

Municipal Manager's approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out on pages 4 to 58, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

The reports and statements set out on pages 4 to 58 comprise the annual financial statements which have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) as prescribed by the Minister of Finance in terms of General Notice 516 of 2008 and the Accounting Framework as set out in the Accounting Standards Board (ASB) directives read together with directive 3 transitional provisions for low capacity municipalities.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 27 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

N M Mabaso
Municipal Manager:

Date: 29 August 2014

uPhongolo Local Municipality

Annual Financial Statements
for the year ended 30 June 2014

Index	Page
Statement of Financial Position	105
Statement of Financial Performance	106
Statement of Changes in Net Assets	107
Cash Flow Statement	108
Statement of Comparison of Budget and Actual Information	109-112
Accounting Policies	113-128
Notes to the Annual Financial Statements	129-158
Appendix A: Schedule of External Loans	159
Appendix B: Analysis of Property, Plant and Equipment	160-163
Appendix C: Segmental Analysis of Property, Plant and Equipment	164
Appendix D: Segmental Statement of Financial Performance	165
Appendix E: Budget Financial Performance by Vote	166
Appendix F: Unspent Conditional Grants	167

ABBREVIATIONS

- VAT	Value Added Tax
GRAP	Generally Recognised Accounting Practice
PPE	Property Plant and Equipment
SALGA	South African Local Government Authority
MFMA	Municipal Finance Management Act
GEPF	Government Employees Pension Fund
NJMP	Natal Joint Municipal Pension

- uPhongolo Local Municipality

Statement of Financial
Position as at 30 June 2014

	Note	2014 R	Restated 2013 R
ASSETS			
Current assets		65 843 456	59 775 716
Inventories	2	227 612	138 476
Cash and cash equivalents	3	13 602 845	23 401 728
Trade and other receivables from exchange transactions	5	6 519 977	6 365 657
Trade and other receivables from non-exchange transactions	6	44 905 341	29 442 355
Prepayments	7	587 681	427 500
Non-current assets		247 584 672	209 581 190
Non-current receivables from exchange transactions	4		
Property, plant and equipment	8	159 024 758	120 961 784
Intangible assets	9	81 220	104 097
Investment property	10	88 407 749	88 437 749
Heritage assets	11	70 945	77 560
Total assets		313 428 128	269 356 906
LIABILITIES			
Current liabilities		40 498 561	31 404 278
Trade and other payables from exchange transactions	12	20 640 212	15 754 723
Consumer deposits	13	452 507	460 939
VAT payable	14	2 345 087	6 367 886
Current provisions	15	6 916 687	131 285
Current portion of unspent conditional grants and receipts	16	6 862 933	6 042 581
Current portion of long-term borrowings	17	484 777	1 234 524
Current portion of finance lease liability	18	2 796 358	1 412 340
Non-current liabilities		10 297 106	8 745 808
Non-current borrowings	17	448 400	845 281
Non-current finance lease liability	18	3 046 637	1 271 819
Non-current provisions	15	3 958 389	3 711 808
Revenue received in advance		341 168	316 231
Defined benefit plan obligations	56	2 502 512	2 600 669
Total liabilities		50 795 667	40 150 086
Net assets		262 632 461	229 206 820
NET ASSETS			
Accumulated surplus		262 632 461	229 206 820
Total net assets		262 632 461	229 206 820

uPhongolo Local Municipality

Statement of Financial Performance
For the year ending 30 June 2014

	Note	2014 R	Restated 2013 R
REVENUE			
Revenue from exchange transactions		42 296 778	38 052 841
Service charges	20	32 508 903	28 824 031
Rental of facilities and equipment	21	615 903	801 963
Interest earned- external investments	22	1 605 345	1 043 223
Interest earned- outstanding receivables	23	4 054 621	3 281 996
Licences and permits		1 669 110	2 142 165
Other income from exchange transactions	25	1 842 896	1 959 463
Revenue from non-exchange transactions		127 616 764	99 844 701
Property rates	19	17 822 137	14 051 255
Fines		377 959	691 536
Government grants and subsidies	24	109 416 668	85 101 910
Total revenue		169 913 542	137 897 542
EXPENSES			
Employee related costs	26	36 699 592	34 181 655
Remuneration of councillors	27	6 909 158	6 093 833
Contribution to provisions	28	7 554 642	89 820
Debt impairment		7 337 293	2 537 125
Collection costs		27 671	255 056
Depreciation and amortisation expense	29	4 630 566	3 194 846
Repairs and maintenance		7 554 413	4 446 780
Finance costs	30	782 475	764 688
Bulk purchases	31	204 189 50	18 858 816
Contracted services	32	12 512 406	9 151 460
Grants and subsidies paid	33	2 308 512	2 690 714
General expenses	34	29 763 525	20 923 669
Total expenses		136 499 203	103 188 462
Gain / (loss) on sale of assets	35	(357 839)	(163 570)
(Impairment loss) / Reversal of impairment loss	36	(45 241)	(396 816)
Gain / (loss) on fair value adjustment	37		101 475
Inventories: Written down to net realisable value	2	(10 804)	(30 623)
Surplus / (deficit) for the period		33 000 455	34 219 546

uPhongolo Local Municipality

Statement of Changes in Net Assets as at 30 June 2014

	Note	Accumulated Surplus R	Total: Net Assets R
Balance at 30 June 2012 as previously reported		198 660 965	198 660 965
Adjustments:			
Correction of prior period error		(450 086)	(450 086)
Balance at 30 June 2012 as restated		198 210 879	198 210 879
Adjustments :			
Correction of prior period error		(635 045)	(635 045)
Changes in net assets:			
Surplus for the period		34 708 901	34 708 901
Balance at 30 June 2013 as previously reported		232 284 735	232 284 735
Adjustments :			
Correction of prior period error	40	(3 077 915)	(3 077 915)
Balance at 30 June 2013 as restated		229 206 820	229 206 820
Adjustments :			
Fair value adjustment		467 186	467 186
Proceeds on sale of investments		(42 000)	(42 000)
Changes in net assets:			
<u>Surplus</u> for the period		33 000 455	33 000 455
Balance at 30 June 2014		262 632 461	262 632 461

uPhongolo Local Municipality

Cash Flow Statements as at 30 June 2014

	Note	2014 - R	Restated 2013 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		148 219 190	137 902 907
Sale of goods and services		39 657 224	36 849 888
Grants		102 902 000	96 727 800
Interest income		5 659 966	4 325 219
Other receipts		-	-
Payments		(118 270 917)	(106 657 366)
Employee costs		(36 669 592)	(34 181 653)
Councillors allowances		(6 909 158)	(5 996 633)
Suppliers		(73 909 692)	(65 714 392)
Interest paid		(782 475)	(764 688)
Other payments		-	-
Net cash flows from operating activities	38	29 948 273	31 245 541
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(42 569 942)	(19 365 009)
Decrease in other property, plant and equipment		311 839	
Proceeds from sale of investments		42 000	281 430
Purchase of intangibles			
Decrease heritage assets		6 615	
Decrease/ (increase) in loans and receivables			687 673
Movement		425 186	(2 009 092)
Net cash flows from investing activities		(41 784 302)	(20 404 998)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		182 450	(907 331)
Repayment of borrowings		(1 329 077)	(1 409 426)
Proceeds from finance lease liability		4 569 955	
Repayment of finance lease liability		(1 411 119)	(1 297 356)
Revenue received in advance		24 937	
Net cash flows from financing activities		2 037 146	(361 411 13)
Net increase / (decrease) in cash and cash equivalents		(9 798 883)	7 226 430
Net cash and cash equivalents at beginning of period		23 401 728	16 175 298
Net cash and cash equivalents at end of period	39	13 602 845	23 401 728

uPhongolo Local Municipality

Statement of Financial Position
as at 30 June 2014

Statement of Comparison of Budget and Actual Amounts

	Approved Budget R	Budget Adjustments R	Final Budget R	Actual Outcome R	Difference between budget and actual R
Statement of Financial Position					
Assets					
Current assets					
Inventories	9113 347	(8974 871)	138 476	227 612	(89 136)
Cash and cash equivalents	21 321 626	(3248 439)	18 073 187	13 602 845	4 470 342
Trade and other receivables from exchange transactions	4 056 430	5 546 529	9 602 959	6 519 977	3 082 982
Trade and other receivables from non-exchange transactions	12 670 851	16 694 602	29 365 453	44 905 341	(15 539 888)
Prepayments		427 500	427 500	587 681	(160 181)
Non-current assets					
Non-current receivables from non-exchange transactions					
Property, plant and equipment	191 756 775	(6 643 980)	185 112 795	159 024 758	26 088 037
Intangible assets	1 716 432	(1 644 000)	72 432	81 220	(8 788)
Investment property	88 094 749	-	88 094 749	88 407 749	
Heritage assets	-	77 560	77 560	70 945	6 615
Total assets	328 730 210	2 234 901	330 965 111	313 428 128	17 536 983
Current liabilities					
Trade and other payables from exchange transactions					
Consumer deposits	1 180 939	-	1 180 939	452 507	728 432
VAT payable	566 564		5 665 640	2 345 087	3 320 553
Current provisions	-	-	-	691 668	-
Current portion of unspent conditional grants and receipts	1 840 366	(1 840 366)	-	6 862 933	(6 862 933)
Current portion of long-term borrowings	3 345 010	(2 110 486)	1 234 524	484 777	749 747
Current portion of finance lease liability	806 849	605 491	1 412 340	2 796 358	(1 384 018)
Non-current liabilities					
Non-current portion of long-term borrowings	5 134 713	(3 752 093)	1 382 620	448 400	934 220
Non-current portion of finance lease liability	13 557 852	(7 926 128)	5 631 724	3 046 637	2 585 087
Non-current provisions	1 926 750	1 934 950	3 861 700	3 958 389	(96 689)
Defined benefit plan obligations	2 978 343	(377 674)	2 600 669	2 502 512	98 157
Payment received in advance	1 947 377	(907 331)	1 040 046	341 168	698 878
Total liabilities	50 372 375	111 521 560	38 850 815	50 795 667	15 028 165
Net assets	278 357 835	13 756 461	292 114 296	262 632 461	22 565 148
NET ASSETS					
Accumulated surplus	278 357 835	13 756 461	292 114 296	262 632 461	22 565 148
Total net assets	278 357 835	13 756 461	292 114 296	262 632 461	22 565 148

uPhongolo Local Municipality

Statement of Financial Performance
as at 30 June 2014

Statement of Comparison of Budget and Actual Amounts

	Approved Budget K	Budget Adjustments R	Final Budget R	Actual Outcome R	Difference between budget and actual R
Statement of Financial Performance					
Revenue					
Revenue from exchange transactions					
Service charges	29 484 771	1 176 673	30 661 444	32 508 903	(1 847 459)
Rental of facilities and equipment	868 665	439 720	1 308 385	615 903	692 482
Interest earned - external investments	1 314 190	62 379	1 376 569	1 605 345	(228 776)
Interest earned - outstanding receivables	3 369 562	232 795	3 602 357	4 054 621	(452 264)
Licences and permits	2 315 037	(21 120)	2 293 917	1 669 110	624 807
Other income from exchange transactions	2 018 338	(567 914)	1 450 424	1 842 896	(392 472)
Revenue from non-exchange transactions					
Property rates	13 837 153	3 959 497	17 796 650	17 822 137	(25 487)
Fines	374 297	-	374 297	377 959	(3 662)
Government grants and subsidies	108 889 000	20 390 000	129 279 000	109 416 668	19 862 332
Total revenue	162 471 013	25 672 030	188 143 043	169 913 542	18 229 501
Expenses					
Employee related costs	35 555 275	1 971 147	37 526 422	36 699 592	826 830
Remuneration of councillors	6 880 478	160 200	7 040 678	6 909 158	131 520
Bad debts	1 369 385	-	1 369 385	7 337 293	(5 967 908)
Collection costs	300 000	-	300 000	27 671	272 329
Depreciation and amortisation expense	3 822 653	-	3 822 653	4 630 566	(807 913)
Repairs and maintenance	8 310 592	(69 028)	8 241 564	7 554 413	687 151
Finance costs	1 338 897	(933 832)	405 065	782 475	(377 410)
Bulk purchases	20 924 732	636 108	21 560 840	20 418 950	1 141 890
Contracted services	10 010 335	757 925	10 768 260	12 512 406	(1 744 146)
Grants and subsidies paid	2 399 971	1 233 800	3 633 771	2 308 512	1 325 259
General expenses	36 955 965	(1 938 312)	35 017 653	37 318 167	(2 300 514)
Total expenses	127 868 283	1 818 008	129 686 291	136 499 203	(6 812 912)
Gain / (loss) on sale of assets				(357 839)	357 839
(Impairment loss) / Reversal of impairment loss				(45 241)	45 241
Gain / (loss) on fair value adjustment				-	-
Inventories: Written down to net realisable value				(10 804)	10 804
Surplus / (deficit) for the period	34 602 730	23 854 022	58 456 752	33 000 455	25 456 297

uPhongolo Local Municipality

Cash Flow Statement
as at 30 June 2014

Statement of Comparison of Budget and Actual Amounts

	Approved Budget R	Budget Adjustments R	Final Budget R	Actual Outcome R	Difference between budget and actual R
Cash Flow Statement					
Receipts					
Taxation					
Sales of goods and services	49 716 220	5 640 242	55 356 462	39 657 224	15 699 238
Grants	108 889 000	20 390 000	129 279 000	102 902 000	26 377 000
Interest received	1 314 190	62 379	1 376 569	5 659 966	(4 283 397)
Other receipts					
Payments					
Employee costs	(42 435 753)	(2 131 347)	(44 567 100)	(43 578 750)	(988 350)
Suppliers	(71 114 221)	(15 210 615)	(86 324 836)	(73 909 692)	(12 415 144)
Interest paid	(1 338 897)	933 832	(405 065)	(782 475)	377 410
Other payments					
Net cash flows from operating activities	45 030 539	9 684 491	54 715 030	29 948 273	24 766 757
Cash Flows From Investing Activities					
Purchase of fixed assets (PPE)	(57 627 250)	(8108 500)	(65 735 750)	(42 569 942)	(23 165 808)
Proceeds from sale of fixed assets			-	311 839	(311 839)
Proceeds from sale of investments			-	42 000	(42 000)
Decrease in heritage assets			-	6 615	(6 615)
Decrease/(increase) in Loans and receivables			-	-	-
Movement			-	425 186	(425 186)
Net cash flows from investing activities	(57 627 250)	(8 108 500)	(65 735 750)	(41 784 302)	(23 951 448)
Cash Flows From Financing Activities					
Proceeds from borrowings	10 250 000	(10 250 000)	-	182 450	(182 450)
Repayment of borrowings	(1 584 000)	875 421	(708 579)	(1 329 077)	620 498
Proceeds from finance lease liability	7 293 000	(14 000)	7 279 000	4 569 955	2 709 045
Repayment of finance lease liability	(1 540 958)	662 716	(878 242)	(1 411 119)	532 877
Revenue received in advance	-	-	-	24 937	-
Net cash flows from financing activities	14 418 042	(8 725 863)	5 692 179	2 037 146	3 679 970
Net increase / (decrease) in cash and cash equivalents	1 821 331	(7 149 872)	(532 854)	(9 798 883)	4 470 342
Net cash and cash equivalents at beginning of period	19 500 295	3 901 433	23 401 728	23 401 728	-
Net cash and cash equivalents at end of period	21 321 626	(3 248 439)	18 073 187	13 602 845	4 470 342

uPhongolo Local Municipality

Statement of Comparison of Budget and Actual information
as at 30 June 2014

	2 014											2 013			
	Original Budget	Budget Adjustments (i.t.o. s28 and a31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o.s31 of the MFMA)	Vehement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Financial Performance															
Property rates	13 837 153	3 959 497	17 796 650			17 796 650	17 822 137		(25 487)	100%	129%				
Service charges	29 484 771	1 176 673	30 661 444			30 661 444	32 508 903		(1847 459)	106%	110%				
Investment revenue	4 683 752	295 174	4 978 926			4 978 926	5 659 966		(681 040)	114%	121%				
Transfers recognised- operational	72 388 250	809 000	73 197 250			73 197 250	70 243 992		2953 258	96%	97%				
Other OWN revenue	5 576 337	(149 314)	5 427 023			5 427 023	4 505 868		921 155	83%	81%				
Total Revenue (excluding capital transfers and Contributions)	125 970 263	6 091 030	132 061 293	-	-	132 061 293	130 740 866		1320 427	99%	104%				
Employee costs	35 555 275	1 971 147	37 526 422			37 526 422	36 699 592		826 830	98%	103%				
Remuneration of councillors	6 880 478	160 200	7 040 678			7 040 678	6 909 458		131 520	98%	100%				
Debt impairment	1 369 385	-	1 369 385			1 369 385	7 337 293		(5 967 908)	536%	536%				
Depreciation & asset impairment	3 822 653	-	3 822 653			3 822 653	4 630 566		(807 913)	121%	121%				
Finance charges	1338 897	(933 832)	405 065			405 065	782 475		(377 410)	193%	58%				
Materials and bulk purchases	29 235 324	567 080	29 802 404			29 802 404	27 973 363		1829 041	94%	96%				
Transfers and grants	2 399 971	1 233 800	3 633 771			3 633 771	2 308 512		1325 259	64%	96%				
Other expenditure	47 266 300	(1180387)	46 085 913			46 085 913	50 272 128		(4 186 215)	109%	106%				
Total Expenditure	127 868 283	1818 008	129 686 291	-	-	129 686 291	136 913 087		-7 226 796	106%	107%				
Surplus/ (Deficit)															
Transfers recognised- capital	36 500 750	19 581 000	56 081 750			56 081 750	39 172 676		16 909 074	70%	107%				
Contributions recognised - capital & contributed Assets						-									
Surplus/ (Deficit) after capital transfers & contributions	34 602 730	23 854 022	58 456 752	-	-	58 456 752	33 000 455		25 456 297	56%	95%				
Share of surplus/ (deficit) of associate	-		-			-									
Surplus/ (Deficit) for the year	34 602 730	23 854 022	58 456 752	-	-	58 456 752	33 000 455		25 456 297	56%	95%				
Capital expenditure & funds sources															
Capital expenditure	57 627 250	8 109 000	65 736 250			65 736 250	42 569 642		23 166 608	65%	74%				
Transfers recognised- capital	36 500 750	19 581 000	56 081 750			56 081 750	37 814 114		18 267 636	67%	104%				
Public contributions & donations			-			-			-	0%	0%				
Borrowing	17 543 000	-10 264 000	7 279 000			7 279 000	4 117 607		3 161 393	57%	23%				
Internally generated funds	3 583 500	-1 208 000	2 375 500			2 375 500	1 737 699		537 801	27%	18%				
Total sources of capital funds	57 627 250	8 109 000	65 736 250	-	-	65 736 250	42 569 642		23 166 608	65%	74%				
Cash flows															
Net cash from (used) operating	45 030 539	9 684 491	54 715 030	-		54 715 030	29 948 273		24 766 757	55%	67%				
Net cash from (used) investing	-57 627 250	-8 108 500	-65 735 750	-		(65 735 750)	(41 784 302)		(23 951 448)	64%	73%				
Net cash from (used) financing	14 418 042	-8 725 863	5 692 179	-		5 692 179	2 037 146		3 655 033	36%	14%				
Net increase/ (decrease) in cash and cash Equivalents	1 821 331	-7 149 872	-5 328 541	-	-	(5 328 541)	-9 798 883		4 470 342	184%	-538%				
Cash/cash equivalents at the beginning of year	19 500 295	3901433	23401 728	-		23 401 728	23 401 728		-	100%	120%				
Cash/cash equivalents at the year-end	21 321 626	-3 248 439	18 073 187	-		18 073 187	13 602 845		4 470 342	75%	64%				

uPhongolo Local Municipality

Summary of Significant Accounting Policies for the year ending 30 June 2014

1 Accounting Policies

1.1 Basis of Accounting

Basis of presentation

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act No 56 of 2003).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

Going concern

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

Comparative

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

Standards, amendments to standards and interpretations issued but not yet effective

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 18 - Segment Reporting

Compliance with this standard would have had an effect of the presentation only. Financial information would have been reported by segments. The disclosure of this information will assist users of the financial statements to better understand the entity's past performance and to identify the resources allocated to support the major activities of the entity.

GRAP 20 - Related Party Disclosures

Compliance with this standard would have had an effect of the presentation only. Related party transactions have been disclosed in accordance with IPSAS 20.

GRAP 105 - Transfers of Functions between Entities under Common Control

Compliance with this standard would not have an impact on the current financial information as the municipality does not have entities.

uPhongolo Local Municipality

Summary of Significant Accounting Policies for the year ending 30 June 2014

GRAP 107 - Mergers

Compliance with this standard would not have an impact on the current financial information as no transactions relating to mergers exist in the current year.

1.2 Property, Plant and Equipment

Initial recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets when:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Initial measurement

Items of property, plant and equipment are initially measured at cost at the acquisition date.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Subsequent expenditure

Where the entity replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequent expenditure including major spare parts and servicing equipment qualify as property, plant and equipment if the recognition criteria are met.

Subsequent measurement

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Depreciation

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. The depreciable amount is determined after taking into account an asset's residual value, where applicable. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Details	Years
Infrastructure	
Roads and Paving	20 years
Electricity	20-30 years

uPhongolo Local Municipality

Summary of Significant Accounting Policies for the year ending 30 June 2014

Depreciation

Details	Years
Community	
Buildings	30 years
Halls	30 years
Libraries	30 years
Heritage assets	
Paintings and artifacts	0 years
Finance lease assets	
Machinery and equipment	5 years
Motor vehicles	5 years
Other	
Land	Indefinite
Buildings	30 years
Specialised vehicles	5 years
Other vehicles	5 years
Office equipment	1-5 years
Furniture and fittings	1-5 years
Computer equipment	3 years
Plant and equipment	5 years
Landfill sites	0 years

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

Impairment

Refer to accounting policy number

Derecognition

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.3 Heritage assets

Initial recognition

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

A heritage asset shall be recognised as an asset if, and only if:

- (a) it is probable that future economic benefits or service potential associated with the asset will flow to the entity, and
- (b) the cost or fair value of the asset can be measured reliably.

Initial measurement

An asset that has met the recognition requirement criteria for heritage assets shall be measured at its cost if such an asset has been acquired through an exchange transaction.

Where a heritage asset has been acquired through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition.

uPhongolo Local Municipality

- Summary of Significant Accounting Policies
for the year ending 30 June 2014

Subsequent measurement

Heritage assets are not depreciated based on their nature however the municipality assesses at each reporting date whether there is a need for impairment.

The class of heritage assets are carried at its cost less any accumulated impairment losses.

Impairment

Refer to accounting policy number 1.19

Derecognition

The carrying amount of a heritage asset is derecognised:

- (a) on disposal, or
- (b) when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

1.4 Intangible assets

Initial recognition

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential;

the municipality has the ability to measure reliably the expenditure during development.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or normal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, the deemed cost is the carrying amount of the asset(s) given up.

Subsequent measurement

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in Statement of Financial Performance in the expense category consistent with the function of the intangible asset. During the period of development, the asset is tested for impairment annually.

Amortisation

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

uPhongolo Local Municipality

Summary of Significant Accounting Policies for the year ending 30 June 2014

Computer software

3 years

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

Impairment

Refer to accounting policy number 1.19

Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.5 Investment property

Initial recognition

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

Investment Property is initially recognised when future economic benefits or service potential are probable and the cost or fair value can be determined reliably.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property (property, plant and equipment), the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the entity accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Subsequent measurement

Investment property is measured using the cost model. Under the cost model, investment property is carried at cost less any accumulated depreciation and any accumulated impairment losses.

Impairment- investment property held at cost

Refer to accounting policy number 1.19

Derecognition

Investment property is derecognised when there is a disposal or no future economic benefits or service potential are. All gains or losses, which result from the derecognition, are recognised in the Statement of Financial Performance.

1.6 Non-current assets held for sale

Recognition

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

uPhongolo Local Municipality

Summary of Significant Accounting Policies for the year ending 30 June 2014

1.6 Non-current assets held for sale

Recognition

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Measurement

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

Derecognition

Non-current assets and disposal groups held for sale are derecognised upon disposal of the item or where no further economic benefits or service potential is expected to flow from the asset or disposal group. Gains / loss that result from the derecognition of non-current assets or disposal groups held for sale are recognised in surplus / deficit in the period of the derecognition.

1.7 Inventories

Initial recognition and measurement

Inventories comprise current assets held for, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Subsequent measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The basis of determining cost is the first-in, first-out (FIFO) method

Derecognition

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

1.8 Financial instruments

Initial recognition

The entity recognises a financial asset or a financial liability in its Statement of Financial Position when, and only when, the entity becomes a party to the contractual provisions of the instrument. This is achieved through the application of trade date accounting.

Upon initial recognition the entity classifies financial instruments or their component parts as financial liabilities,

Initial measurement

When a financial instrument is recognised, the entity measures it initially at its fair value plus, in the case of a financial asset or a financial liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

uPhongolo Local Municipality

Summary of Significant Accounting Policies for the year ending 30 June 2014

Subsequent measurement

Subsequent to initial recognition, financial assets and financial liabilities are measured at fair value .amortised cost or cost.

All financial assets and financial liabilities are measured after initial recognition using the following categories:

Investment at amortised costs

Investments, which include [listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial I banks] are categorised as financial instruments at amortised cost and are subsequently measured at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

Investment at fair value

Investments, which represent investments in residual interest for which fair value can be measured reliably, are subsequently measured at fair value.

Gains and losses in the fair value of such investments are recognised in the Statement of Financial Performance.

Investment at cost

Investments at cost, which represent investments in residual interest for which there is no quoted market price and for which fair value cannot be measured reliably, are subsequently measured at cost.

Trade and other receivables

Trade and other receivables are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition and subsequently stated at amortised cost, less provision for impairment. All trade and other receivables are assessed at least annually for possible impairment. Impairments of trade and other receivables are determined in accordance with the accounting policy for impairments. Impairment adjustments are made through the use of an allowance account.

Bad debts are written off in the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the reporting date are classified as current. Interest is charged on overdue accounts.

Trade payables and borrowings

Trade payables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition and are subsequently measured at amortised cost using the effective interest rate method.

Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial I liabilities: other financial liabilities carried at amortised cost.

19 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

uPhongolo Local Municipality

Summary of Significant Accounting Policies for the year ending 30 June 2014

1.10 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.11 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.12 Provisions

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made.

Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
 - the business or part of a business concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for terminating ;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- (b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

1.13 Budget information

The annual budget figures have been presented in accordance with the GRAP reporting framework. A separate statement of comparison of budget and actual amounts, which forms part of the annual financial statements, has been prepared. The comparison of budget and actual amount will be presented on the same accounting basis, same classification basis and for the same entity and period as for the approved budget. The budget of the municipality is taken for a stakeholder consultative process and upon approval the approved budget is made publicly available

Material differences in terms of the basis, timing or entity have been disclosed in the notes to the annual financial statements.

The most recent approved budget by Council is the final budget for the purpose of comparison with the actual amounts.

uPhongolo Local Municipality

Summary of Significant Accounting Policies for the year ending 30 June 2014

1.14 Leases

Operating lease • Municipality as lessee

Recognition

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the entity through the lease agreement. Assets subject to finance leases are recognised in the Statement of Financial Position at the inception of the lease, as is the corresponding finance lease liability.

Assets subject to operating leases, i.e. those leases where substantially all of the risks and rewards of ownership are not transferred to the lessee through the lease, are not recognised in the Statement of Financial Position. The operating lease expense is recognised over the course of the lease arrangement.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date; namely whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Measurement

Assets subject to a finance lease, as recognised in the Statement of Financial Position, are measured (at initial recognition) at the lower of the fair value of the assets and the present value of the future minimum lease payments. Subsequent to initial recognition these capitalised assets are depreciated over the contract term.

The finance lease liability recognised at initial recognition is measured at the present value of the future minimum lease payments. Subsequent to initial recognition this liability is carried at amortised cost, with the lease payments being set off against the capital and accrued interest. The allocation of the lease payments between the capital and interest portion of the liability is effected through the application of the effective interest method.

The finance charges resulting from the finance lease are expensed, through the Statement of Financial Performance, as they accrue. The finance cost accrual is determined using the effective interest method.

The lease expense recognised for operating leases is charged to the Statement of Financial Performance on a straight-line basis over the term of the relevant lease. To the extent that the straight-lined lease payments differ from the actual lease payments the difference is recognised in the Statement of Financial Position as either lease payments in advance (operating lease asset) or lease payments payable (operating lease liability) as the case may be. This resulting asset and / or liability is measured as the undiscounted difference between the straight-line lease payments and the contractual lease payments.

Derecognition

The finance lease liabilities are derecognised when the entity's obligation to settle the liability is extinguished. The assets capitalised under the finance lease are derecognised when the entity no longer expects any economic benefits or service potential to flow from the asset.

The operating lease liability is derecognised when the entity's obligation to settle the liability is extinguished. The operating lease asset is derecognised when the entity no longer anticipates economic benefits to flow from the asset.

Operating lease • Municipality as lessor

Recognition

For those leases that meet the definition of a finance lease, where the entity is the lessor, the entity derecognises the asset subject to the lease at the inception of the lease. Along with the derecognition of the asset the entity recognises a finance lease receivable. Finance lease income is allocated to between the finance lease receivable and finance income using the effective interest rate method and the resulting finance income is recognised in the Statement of Financial Performance as it accrues.

For those leases classified as operating leases the asset subject to the lease is not derecognised and no lease receivable is recognised at the inception of the lease. Lease payments received under an operating lease are recognised as income, in the Statement of Financial Performance, in the period that the income accrues.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date; namely, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

uPhongolo Local Municipality

Summary of Significant Accounting Policies for the year ending 30 June 2014

Measurement

Finance lease receivables are recognised at an amount equal to the entity's net investment in the lease. This net investment in the lease is calculated as the sum of the minimum future lease payments and unguaranteed residual value discounted over the lease term at the rate implicit in the lease.

Rental Income from operating leases is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined lease payments and the contractual lease payments are recognised as either an operating lease asset or operating lease liability. An operating lease liability is raised to the extent that lease payments are received in advance (i.e. the straight-line lease payments are more than the contractual lease payments). The operating lease asset and / or operating lease liability are measured as the undiscounted difference between the straight-line lease receipts and the contractual lease receipts.

Derecognition

Finance lease receivables are derecognised when the entity's right to the underlying cash flows expire or when the entity no longer expects economic benefits to flow from the finance lease receivable.

Operating lease liabilities are derecognised when the entity's obligation to provide economic benefits or service potential under the lease agreement expires. Operating lease assets are derecognised when the entity's right to the underlying cash flows expire or the entity no longer expects economic benefits to flow from the operating lease asset.

1.15 Revenue

Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrues to the entity directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable, excluding indirect taxes, rebates and discounts.

Recognition

Revenue from exchange transactions is only recognised once all of the following criteria have been satisfied:

- a) The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- b) The amount of revenue can be measured reliably; and
- c) It is probable that the economic benefits or service potential associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue arising out of situations where the entity acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the entity as compensation for executing the agreed services.

Measurement

Revenue from exchange transactions is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

Service charges relating to electricity are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

uPhongolo Local Municipality

Summary of Significant Accounting Policies for the year ending 30 June 2014

Measurement

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services. The income is recognised in terms of the agency agreement.

Expenditure from exchange transactions

Expenditure arising from exchange-transactions is similar to the policy for exchange revenue.

Revenue from non-exchange transactions

Recognition

Revenue from non-exchange transaction arises when the entity either receives value from another entity without directly giving approximately equal value in exchange or gives value to another entity without directly receiving approximately equal value in exchange.

Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset and there is not a corresponding liability in respect of related conditions.

Measurement

An asset that is recognised as a result of a non-exchange transaction is recognised at its fair value at the date of the transfer. Consequently, revenue arising from a non-exchange transaction is measured at the fair value of the asset received, less the amount of any liabilities that are also recognised due to conditions that must still be satisfied.

Where there are conditions attached to a grant, transfer or donation that gave rise to a liability at initial recognition, that liability is transferred to revenue as and when the conditions attached to the grant are met.

Grants without any conditions attached are recognised as revenue in full when the asset is recognised, at an amount equalling the fair value of the asset received.

Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is due to the Municipality, it is recognised as interest earned in the Statements of Financial Performance.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with management's best estimate of the probable inflows from the amounts not yet collected.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Expenditure from non-exchange transactions

Expenditure arising from non-exchange transactions is similar to policy for non-exchange revenue.

1.16 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

1.17 Long service awards

Provision for long service awards represents the present value of the estimated future cash outflows to be made by the Municipality resulting from employee services provided up to Statement of Financial Position date. The provision comprises amounts that the Municipality has a present obligation to pay resulting from employees services provided up to Statement of Financial Position date.

uPhongolo Local Municipality

Summary of Significant Accounting Policies for the year ending 30 June 2014

1.18 Retirement benefits

Short-term employee benefits

Short term employee benefits encompasses all those benefits that become payable in the short term, i.e. within a financial year or within 12 months after the financial year. Therefore, short term employee benefits include remuneration, compensated absences and bonuses.

Short term employee benefits are recognised in the Statement of Financial Performance as services are rendered, except for non-accumulating benefits, which are recognised when the specific event occurs. These short term employee benefits are measured at their undiscounted costs in the period the employee renders the related service or the specific event occurs.

1.19 Significant judgements

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Post-retirement benefits

The entity provides post-employment benefits for its officials. These benefits are provided as defined contribution plans. The entity identifies as defined contribution plans any post-employment plan in terms of which it has no obligation to make further contributions to the plan over and above the monthly contributions payable on behalf of employees (for example in the event of a funding shortfall). Any other plans are considered to be defined benefit plans.

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year using the actuarial valuation. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the medical obligations. In determining the appropriate discount rate, the Municipality considers the interest rates that are best approximated by reference to market yields at the reporting date on government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related medical liability.

Retirement funds

The municipality contributes towards retirement benefits of its employees to the under-mentioned pension funds:

- Natal Joint Municipal Pension Fund
- Government Employees Pension Fund
- Municipal Gratuity Fund
- SALA Pension Fund

Councillors do not contribute to any pension fund.

Contributions made towards the fund are recognised as an expense in the Statement of Financial Performance in the period that such contributions become payable. This contribution expense is measured at the undiscounted amount of the contribution paid or payable to the fund. A liability is recognised to the extent that any of the contributions have not yet been paid. Conversely an asset is recognised to the extent that any contributions have been paid in advance.

Post-employment medical care benefits

The municipality provides post-retirement medical care benefits by subsidising the medical aid contributions to retired employees and their legitimate spouses. The entitlement to post-retirement medical benefits is based on employees remaining in service up to retirement age and the completion of a minimum service period. The expected cost, of these benefits is accrued over the period of employment. Post-employment medical care benefits are accounted for in accordance with the transitional arrangements in directive 3 issued by the ASS.

uPhongolo Local Municipality

Summary of Significant Accounting Policies for the year ending 30 June 2014

Provision for impairment of trade receivables

The provision for impairment is measured as the difference between the carrying amount of the assets and the present value of estimated future cash flow based on past recovery trends discounted at the effective interest rate computed at initial recognition.

Impairment of non-financial assets

Recognition

The entity assesses at each reporting date whether there is an indication that an asset may be impaired. Where the carrying amount of an asset exceeds its recoverable amount (or recoverable service amount in the case of non-cash-generating assets), the asset is considered impaired and is written down to its recoverable amount (or recoverable service amount).

Measurement

An asset's recoverable amount (or recoverable service amount) is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value-in-use. This recoverable amount (or recoverable service amount) is determined for individual assets, unless those individual assets are part of a larger cash generating unit, in which case the recoverable amount (or recoverable service amount) is determined for the whole cash generating unit.

An asset is part of a cash generating unit where that asset does not generate cash inflows that are largely independent of those from other assets or group of assets.

In determining the recoverable amount (or recoverable service amount) of an asset the entity evaluates the assets to determine whether the assets are cash generating assets or non-cash generating assets.

For cash generating assets the value in use is determined as a function of the discounted future cash flows from the asset. In assessing value-in-use for cash-generating assets, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, other fair value indicators are used.

Where the asset is non-cash generating asset the recoverable amount is determined as the higher of the value in use and fair value less cost to sell.

Impairment losses of continuing operations are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

Reversal of impairment

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

Impairment of non-financial assets

Property, plant and equipment

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of the impairment is recognised in the Statement of Financial Performance.

uPhongolo Local Municipality

Summary of Significant Accounting Policies for the year ending 30 June 2014

Intangible assets

The entity tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is performed at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Irrespective of whether there is any indication of impairment, the municipality also tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

Investment property held at cost

The entity tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an Investment Property is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

Heritage assets

Where the carrying amount of an item of heritage asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Where items of heritage asset have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of the impairment is recognised in the Statement of Financial Performance.

Provisions

Provisions are recognised when:

- the municipality has a present obligation as result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation

The amount of a provision is the best estimate of the obligation of the expenditure expected to be required to settle the present obligation at the reporting date.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some of all the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditure for which the provision was originally recognised. Provisions are not recognised for future operating deficits. If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

uPhongolo Local Municipality

Summary of Significant Accounting Policies for the year ending 30 June 2014

Provisions

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least
 - the activity/operating unit or part of an activity/operating unit concerned;
 - the principal locations affected;
 - the location, function and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditure arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality.

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding agreement.

Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation of the amount or the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognised.

Contingent assets

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

Contingent assets are not recognised.

1.20 Budget information

The approved budget is prepared on an accrual basis and presented by functional classification linked to performance outcome objectives. The approved budget covers the fiscal period from 1 July 2013 to 30 June 2014.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of Comparison of budget and actual amounts.

1.21 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

uPhongolo Local Municipality

Summary of Significant Accounting Policies for the year ending 30 June 2014

122 Commitments

The municipality may enter into a contract on or before the reporting date for expenditure over subsequent accounting periods, e.g. a contract for construction of infrastructure assets. In these events, the municipality has a commitment to future transactions that will normally result in the outflow of cash.

Commitments are not recognised in the Statement of Financial Position as a liability, but are disclosed in the annual financial statements provided:

- 6 they are non-cancellable or only cancellable at significant cost; and
- 7 they relate to something other than the routine, steady, state business of the municipality.

123 Landfill restoration

The municipality has an obligation to rehabilitate the landfill site at the end of the usage period of 6 years. It is expected that the cost to rehabilitate the landfill site will amount to R15 million at the end of 6 years. The landfill site rehabilitation provision is created for the rehabilitation of the current operational site at the future estimated time of closure. The value of the provision is based on the expected future cost to rehabilitate the site discounted back to the reporting date at the cost of capital, which is 5%. The cost of such property includes the initial estimate of the costs of rehabilitating the land and restoring the site on which it is located, the obligation for which a municipality incurs as a consequence of having used the property during a particular period for landfill purposes. The municipality estimates the useful life and makes assumptions as to the useful life of the assets, which influence the provision for future costs.

The following assumptions were used to calculate the provision:

- 6 Inflation rate of 5%
- 7 Discount rate of 8%
- 8 Total area expected to be rehabilitated: 3 ha

124 Value added tax

The municipality accounts for Value Added Tax on the payment basis.

125 Taxation

The uPhongolo Local Municipality is exempted from tax in terms of Section 10(1)cB(i)(ff) of the Income Tax Act.

126 Events after reporting date

Recognised amounts in the financial statements are adjusted to reflect events arising after the reporting date that provided evidence of conditions that existed at the reporting date. Events after the reporting date that are indicative of conditions that arose after the reporting date are dealt with by way of a note to the annual financial statements.

uPhongolo Local Municipality

Notes to the Annual Financial Statements
for the year ended 30 June 2014

	2014 R	2013 R
2 Inventories		
Opening balance	138 476	133 347
Additions	1 245 283	634 618
Issued (expensed)	(1 145 343)	-598 866
Write-down	(10 804)	-30 623
Consumable stores	227 612	138 476

The Municipality has not pledged inventory as security.

3 Cash and cash equivalents

Cash and cash equivalents consist of the following:

Cash on hand	1 640	574
Cash at bank	2 182 189	190 453
Call deposits	11 419 016	23 210 701
Closing balance cash and cash equivalents	13 602 845	23 401 728

The Municipality has the following bank accounts:-

Current Account (Primary Bank Account)

First National Bank Limited - uPhongolo Branch: Account No.62027530858	2 180 251	188 534
First National Bank Limited- uPhongolo Branch: Account No.62253771896	1 938	1 919
Cash book balance at beginning of year	190 453	7 437 712
Cash book balance at end of year	2 182 189	190 453
Bank statement balance at beginning of year	190 453	7 385 712
Bank statement balance at end of year	2 182 189	190 453

Call Accounts

First National Bank Limited - uPhongolo Branch: Account No. 62032137938		333
First National Bank Limited - uPhongolo Branch: Account No. 62230436405	11 141	11 030
First National Bank Limited - uPhongolo Branch: Account No. 62204162870		2 157
First National Bank Limited- uPhongolo Branch: Account No. 62375357186	20 883	11 094
First National Bank Limited - uPhongolo Branch: Account No.62375342377	22 921	712 979
First National Bank Limited - uPhongolo Branch: Account No. 62377992104	21 312	10 059
First National Bank Limited - uPhongolo Branch: Account No. 62380902017	10 825	267 423
First National Bank Limited - uPhongolo Branch: Account No.62389553085	356 579	2 746 353
First National Bank Limited - uPhongolo Branch: Account No.62389564024	2 677 390	3 051 504
First National Bank Limited - uPhongolo Branch: Account No.62389585286	2 759 289	3 051 504
First National Bank Limited - uPhongolo Branch: Account No.62389586507	812 114	3 051 504
First National Bank Limited- uPhongolo Branch: Account No.62404561377	143 222	48 443
First National Bank Limited - uPhongolo Branch: Account No.62404287345	405 053	6 052 128
First National Bank Limited- uPhongolo Branch: Account No. 62417482289	104 264	100 000
First National Bank Limited - uPhongolo Branch: Account No.62417484235	417 060	400 000
First National Bank Limited - uPhongolo Branch: Account No. 62417486190	14 108	525 000
First National Bank Limited- uPhongolo Branch: Account No. 62305239718	776 656	749 234
Nedbank Limited- uPhongolo Branch: Account No. 0317165014950/000001		549 356
Nedbank Limited- uPhongolo Branch: Account No. 03/7165014950/000002	8 488	28 244
Nedbank Limited- uPhongolo Branch: Account No.03/7165014950/000003	219 372	
Nedbank Limited- uPhongolo Branch: Account No.0317165014950/000004	1 255 938	
Standard Bank Limited - Vryheid Branch: Account No.068686234-001		86 129
Standard Bank Limited - Vryheid Branch: Account No.068686234-002	1 027 063	977 373
Standard Bank Limited - Vryheid Branch: Account No.068686234-003	1 347	1 316
Standard Bank Limited - Vryheid Branch: Account No.068686234-004		439 836
Standard Bank Limited- Vryheid Branch: Account No. 742757800911	353 991	337 702
Cash book balance at beginning of year	23 210 701	8 403 058

uPhongolo Local Municipality

Notes to the Annual Financial Statements
for the year ended 30 June 2014

	2014 R	2013 R
3 Cash and Cash Equivalents		
Bank statement balance at beginning of year	23 210 701	8 403 058
Bank statement balance at end of year	11 419 016	23 210 701
Cash on hand	1 640	574
Total cash and cash equivalents		

Call investments amounting to R10 690 257 (2013: R22 553 660) have been ring-fenced for the purposes of defraying capital expenditure financed with conditional grants as set out in Note 16.

4 Non-current Receivables

KZN Department of Human Settlement (Housing Scheme)	3 262 978	3 262 978
Receivables in respect of properties sold - Ncotshane Township	300 262	351 894
	3 563 240	3 614 872
Less: Provision for impairment	(3 563 240)	(3 614 872)
Total		

The Municipality bridge-financed the Ncotshane Housing Project in 2006 with an amount of R3,262 million after the KZN Department of Human Settlement had withheld funding due to expenditure not commensurate with the work executed. Attempts are being made to recover the debt, however, it has been considered prudent to provide for non-recovery.

Properties were sold to certain residents of Ncotshane Township prior to 1994; however, according to the Deeds Office the properties are not registered in the names of the buyers.

5 Trade and other receivables for exchange transactions	Gross Balances	Provision for Doubtful Debts	Net Balance
	R	R	R
Trade receivables as at 30 June 2014			
Service debtors			
Electricity	6 207 696	-1 558 634	4 649 062
Refuse	42 497 530	-40 881 625	1 615 905
Total	48 705 226	-42 440 259	6 264 967
Other receivables	1 075 067	-820 057	255 010
Other receivables	1 075 067	-820 057	255 010
Trade receivables as at 30 June 2013			
Service debtors			
Electricity	5 516 887	-361 358	5 155 529
Refuse	35 984 215	-35 108 380	875 835
Total	41 501 102	-35 469 738	6 031 364
Other trade receivables	735 945	-401 652	334 293
Other receivables	735 945	-401 652	334 293
Electricity: Ageing			
Current (0-30 days)		3 452 910	2 814 349
31 - 60 Days		856 050	1 455 262
61-90 Days		340 104	244 272
91 - 120 Days		159 745	155 007
121 - 365 Days		803 697	346 534
+ 365 Days		595 192	501 463
Total		6 207 698	5 516 887

uPhongolo Local Municipality

Notes to the Annual Financial Statements
for the year ended 30 June 2014

	2014 R	2013 R
Refuse: Ageing		
Current(0-30days)	621 207	508 549
31 - 60 Days	539 890	472 087
61 - 90 Days	464 809	372 189
91 - 120 Days	476 864	366 885
121 - 365 Days	3 519 986	4 569 584
+ 365 Days	36 874 774	29 650 929
Total	42 497 530	35 940 223

Rental: Ageing		
Current(0-30days)	49 294	34 030
31 - 60 Days	47 948	17 216
61 - 90 Days	18 348	13 326
91 - 120 Days	14 460	7 241
121 - 365 Days	383 234	18 551
+ 365 Days	267 709	214 636
Total	780 993	305 000

Other: Ageing		
Current(0-30days)	6 014	4 554
31-60 Days	1 452	5 627
61-90 Days	265	1 106
91 - 120 Days	482	424
121 - 365 Days	1 440	7 657
+ 365 Days	162 732	155 989
Total	172 385	175 357

Summary of Debtors by Customer Classification

	Consumers R	Industrial/ Commercial R	National and Provincial Government R
as at 30 June 2014			
Current (0-30days)	2 575 730	2 531 690	1 173 414
31 - 60 Days	963 348	949 154	640 447
61-90 Days	696 578	614 102	452 293
91 - 120 Days	671 423	442 063	435 437
121 - 365 Days	4 778 928	2 941 583	1 892 398
+ 365 Days	55 318 373	7 741 779	1 890 597
Sub-total	65 004 380	15 220 371	6 484 586
Less: Provision for doubtful debts	(41 042 968)	(1 557 395)	(659 953)
Total debtors by customer classification	23 961 412	13 662 976	5 824 633

as at 30 June 2013			
Current(0-30days)	1 249 477	1 935 837	201 156
31 - 60 Days	990 708	1 461 474	128 032
61-90 Days	620 655	248 203	82 561
91 - 120 Days	609 232	153 700	67 267
121 - 365 Days	51 038 956	2 516 657	2 317 766
+ 365 Days			
Sub-total	54 509 028	6 315 871	2 796 782
Less: Provision for doubtful debts	(35 871 390)		
Total debtors by customer classification	18 637 638	6 315 871	2 796 782

Reconciliation of the doubtful debt provision

Balance at beginning of the year	35 871 390	33 686 159
Contributions to provision	7 388 926	2 185 231
Balance at end of year	43 260 316	35 871 390

uPhongolo Local Municipality

Notes to the Annual Financial Statements
for the year ended 30 June 2014

	2014 R	2013 R
Trade and other receivables past due but not impaired		
Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2014, R4,315,923 (2013: R3,531,633) were past due but not impaired.		
The ageing of amounts past due but not impaired is as follows:		
1 month past due	2 552 950	2 580 214
2 months past due	1 762 973	951 419
3 months past due		

Trade and other receivables impaired

As of 30 June 2014, trade and other receivables of R43,260,316 (2013: R35,994,900) were impaired and provided for.

The amount of the provision was R43,260,316 as of 30 June 2014 (2013: R35,871,390).

The ageing of these receivables is as follows:

3 to 6 months	70 635 813	59 669 141
Over 6 months		

The fair value of trade and other receivables approximates their carrying amounts.

6 Trade and other receivables for non-exchange transactions

Trade receivables- Property Rates	37 050 733	29 039 901
Outstanding deposit	64 537	40 414
Integrated Municipal Grant	318 550	
Integrated National Electricity Programme Grant	7 016 472	
Other debtors	455 049	362 040
Total	44 905 341	29 442 355

Trade receivables - Property Rates

as at 30 June 2014

	Gross Balances R	Provision for Doubtful Debts R	Net Balance R
Property Rates	37 050 733		37 050 733
	37 050 733		37 050 733

as at 30 June 2013

	Gross Balances R	Provision for Doubtful Debts R	Net Balance R
Property Rates	29 039 901		29 039 901
	29 039 901		29 039 901

Property Rates: Ageing

Current (0-30 days)	2 151 410	1 430 255
31-60 Days	1 107 610	1 060 794
61 - 90 Days	939 445	561 319
91 -120 Days	897 371	521 317
121 - 365 Days	4 904 553	8 501 664
+ 365 Days	27 050 344	16 964 552
Total	37 050 733	29 039 901

Property rates are not considered in the computation of debt impairment since they are collectable in terms of the Property Rates Act and the relevant property serves as security for non-payment

7 Prepayments

Prepaid subscriptions - SALGA	475 000	427 500
Deposit for fire-arms	84 520	
Fuel deposit	28 161	
	587 681	427 500

SALGA subscriptions relating to following financial year were paid in the current year

uPhongolo Local Municipality

Notes to the Annual Financial Statements
for the year ended 30 June 2014

8 Property, plant and equipment

Reconciliation of Carrying Value- 2014	Land R	Buildings R	Infrastructure R	Under Construction	Other Assets R	Total R
as at 1 July 2013	17 679 423	7 326 454	52 416 376	36 696 175	6 843 356	120 961 784
Cost/Revaluation	17 679 423	14 005 553	63 428 209	36 696 175	12 184 422	143 993 782
Accumulated depreciation and impairment losses		<u>(6 679 099)</u>	<u>(11 011 833)</u>		(5 341 066)	(23 031 998)
Correction of error (note 40) Cost/Revaluation			-	-	-	-
Accumulated depreciation and impairment losses	-					-
Acquisitions			38 009 514		4 560 428	42 569 942
Fair value adjustment					467 186	467 186
Capital under construction released			19 221 507	(19 221 507)		
Depreciation		(419 863)	(3 264 540)		(923 287)	(4 607 690)
Impairment loss/Reversal of impairment loss		(12 623)	(2 415)		(30 203)	(45 241)
Carrying value of disposals	(30 000)	-	-		(291 223)	(321 223)
Cost/Revaluation	(30 000)	-	-		(1 513 734)	(1 543 734)
Accumulated depreciation and impairment losses	-	-	-		1 222 511	1 222 511
as at 30 June 2014	17 649 423	6 893 968	106 380 442	17 474 668	10 626 257	159 024 758
Cost/Revaluation	17 649 423	14 005 553	120 659 230	17 474 668	15 698 302	185 487 176
Accumulated depreciation and impairment losses		<u>(7 111 585)</u>	<u>(14 278 788)</u>		(5 072 045)	(26 462 418)

uPhongolo Local Municipality

Notes to the Annual Financial Statements
for the year ended 30 June 2014

8 Property, plant and equipment (Continued)

Reconciliation of Carrying Value- 2013	Land R	Buildings R	Infrastructure R	Under Construction	Other Assets R	Total R
as at 1 July 2012	17 695 919	7 016 078	53 992 557	23 892 312	7 447 774	110 044 640
Cost/Revaluation	17 695 919	12 853 302	63 119 524	23 892 312	11 588 521	129 149 578
Accumulated depreciation and impairment losses		(5 837 224)	(9 126 967)	-	(4 140 747)	(19 104 938)
Correction of error (note 40)	428 504	1152251	(5 252 698)	(260 091)	24 364	(3 907 670)
Cost/Revaluation	428 504	1 152 251	(5 252 698)	(260 091)	24 364	(3 907 670)
Accumulated depreciation and impairment losses						-
Acquisitions				18 625 337	571 537	19 196 874
Capital under construction released			568 776	(568 776)		
Depreciation		(427 011)	(1 884 866)		(860 099)	(3 171 976)
Impairment loss/Reversal of impairment loss		(414 864)			(340 220)	(755 084)
Carrying value of disposals	(445 000)	-				(445 000)
Cost/Revaluation	(445 000)					(445 000)1
Accumulated depreciation and impairment losses						-
as at 30 June 2013	17 679 423	7 326 454	47 423 769	41 688 782	6 843 356	120 961 784
Cost/Revaluation	17 679 423	14 005 553	58 435 602	41 688 782	12 184 422	143 993 782
Accumulated depreciation and impairment losses		(6 679 099)	(11 011 833)		(5 341 066)	(23 031 998)

- uPhongolo Local Municipality

Notes to the Annual Financial Statements
for the year ended 30 June 2014

	Note	2013 R
8 Property, plant and equipment (Continued)		
Property, plant and equipment pledged as security		
 Municipal Buildings Certain buildings are pledged as security for the loans and amount to R2 868 054 as disclosed in note 6		 2 868 054
 Plant and Machinery Certain plant and machinery are pledged as security for the loans and amount to R1 766 656 as disclosed in note 3		 1 766 656
 Compensation received for losses on property, plant and equipment - included in		
Dwarf House		
Asset 2		
Asset 3		
<hr/>		
Other information		
Carrying value of idle property, plant and equipment		
Fully depreciated property, plant and equipment still in use		
Property, plant and equipment retired from active use, but not classified as held for sale		
Fair value of property, plant and equipment carried at cost		
<hr/>		

uPhongolo Local Municipality

Notes to the Annual Financial Statements
for the year ended 30 June 2014

9 Intangible assets

Reconciliation of carrying value	Computer Software R	Other R	Total R
as at 1 July 2013	104 097		104 097
Cost	277 7831		277 7831
Accumulated amortisation and impairment losses	(173 686)		(173 686)
Amortisation	(22 877)		(22 877)
as at 30 June 2014	81 220		81 220
Cost	277 783 1		277 7831
Accumulated amortisation and impairment losses	(196 563)		(196 563)
Reconciliation of carrying value	Computer Software R	Other R	Total R
as at 1 July 2012	126 970		126 970
Cost	277 7831		277 7831
Accumulated amortisation and impairment losses	-150 813		-150 813
Amortisation	(22 873)		(22 873)
as at 30 June 2013	104 097		104 097
Cost as previously reported	241 845	-	241 845
Prior year adjustment - cost	35 938		35 938
Accumulated amortisation and impairment losses as previously reported	(169 413)		-169 413
Prior year adjustment - Accumulated amortisation	(4 273)	-	(4 273)

10 Investment property carried at cost

Reconciliation of carrying value	2014 R	2013 R
Carrying value at 30 June 2013		
Cost/Revaluation	88 437 749	88 094 7491
Correction of error (note 40)		343 000
Carrying value of disposals	(30 000)	
Cost/Revaluation	(30 000)	
Accumulated depreciation and impairment losses		
Carrying value at 30 June 2014	88 407 749	88 437 749
Cost/Revaluation	88 407 749	88 437 491
Accumulated depreciation and impairment losses		

The fair value of the above properties is R88 million (2013 R88 million). Investment properties have been valued using the cost model.

uPhongolo Local Municipality

Notes to the Annual Financial Statements
as at 30 June 2014

11 Heritage assets

Reconciliation of carrying value	Historical Buildings R	Paintings and Artefacts R	Other R	Total R
as at 1 July 2013	77 560			77 560
Cost/Revaluation				
Correction of error (note 40)	77 56			77 56
Accumulated impairment losses				
Acquisitions				
Carrying value of disposals				
Cost/Revaluation	-			
Accumulated impairment losses				
Impairment loss/Reversal of impairment loss				
Transfers				
Under Construction				
Other movements	(6 615)			(6 615)
as at 30 June 2014	70 945			70 945
Cost/Revaluation	70 94			70 94
Accumulated impairment losses				
Reconciliation of carrying value	Historical Buildings R	Paintings and Artefacts R	Other R	Total R
				77 56
Cost/Revaluation	77 560			
as at 1 July 2012		77 560		77 560
Correction of error (note 40)	(77 56).	77 56 1		
Accumulated impairment losses			-- 1	
Acquisitions				
Carrying value of disposals				
Cost/Revaluation				
Accumulated impairment losses				
Impairment loss/Reversal of impairment loss				
Transfers				
Under Construction				
Other movements				
as at 30 June 2013	77 560			77 560
Cost/Revaluation	77 56			77 56
Accumulated impairment losses				

uPhongolo Local Municipality

Notes to the Annual Financial Statements
for the year ended 30 June 2014

	Note	2014 R	2013 R
12 Trade and other payables from exchange transactions			
Trade creditors		10894972	9 594 163
Payments received in advance		406 004	773 108
Retentions		2 303 477	736 444
Staff leave accrual		3 016 230	2 248 871
Payroll deductions		1 210 847	29 728
Accrued bonus		761 610	669 405
Deposits - other		748 004	699 247
Workmen compensation assurance		1 299 068	1 003 757
Total		20640212	15 754 723

The fair value of trade and other payables approximates their carrying amounts.

13 Consumer deposits

Electricity	452 507	460 939
Total consumer deposits	452 507	460 939

No interest is paid on deposits and no guarantees are held in lieu of electricity deposits.

14 Vat Payable

VAT payable	2 345 087	6 367 886
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VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

15 Provisions

Current provisions

Current portion of bonus provision	342 756	131 285
Provision for VAT and PAYE liability	6 573 931	
Total	6 916 687	131 285

The provision is to provide for performance bonuses of the section 56 employees. Performance bonuses are paid one year in arrear as the assessment of eligible employees had not taken place at the reporting date and no present obligation exist.

SARS has issued a notice of assessment in respect of the underpayment of VAT and Paye for the period 2008 to 2012 based on the results of its audit finding. The amount of the alleged liability is R6 297 860. The municipality has lodged an objection to the finding the outcome of which was still pending as at 30 June 2014. SARS has withheld and set-off VAT refunds amounting to R6 805 874 against this claim

Non-current provisions

Provision for rehabilitation of landfill sites	3519310	3 375 000
Provision for long-service awards	439 079	336 808
Total Non-Current Provisions	3 958 389	3 711 808

Long service benefits

Employees who achieve 10 years' service are either granted 10 days paid leave (once off) or encashment of leave depending on their preference.

Employees who achieve 20 years' service are either granted 10 days paid leave (once off) or encashment of leave depending on their preference.

Employees who achieve 30 years' service are either granted 10 days paid leave (once off) or encashment of leave depending on their preference.

The abovementioned leave is granted in addition to the annual leave entitlement and maximum accumulation granted in terms of the National Conditions Service, and may be taken, converted to cash in full or partially or accumulated. The abovementioned leave is only applicable to those employees who achieve the stated years of service after the effective date of these conditions.

The provision is an estimate of the long service award based on the monthly salaries rate at 30 June 2014 (2013: 30 June 2013). It has been assumed that the staff turnover rate will be insignificant based on historical data. The provision has not been discounted based on the fact that the interest cost would be insignificant and the fair presentation of the provision would not be materially affected.

uPhongolo Local Municipality

Notes to the Annual Financial Statements for the year ended 30

Note	2014 R	2013 R
Landfill site		
The provision for rehabilitation of landfill site relates to the legal obligation to rehabilitate landfill sites used for waste disposal at the future estimated time of closure. The value of the provision is based on the expected future costs to rehabilitate the site discounted back to the balance sheet date at the annual inflation rate, which was currently 5%. The municipality has an obligation to rehabilitate the landfill site. The cost of such property includes the initial estimate of the costs of rehabilitating the land and restoring the site on which is located, the obligation for which the municipality incurs as a result of having used the property during a particular period for landfill purposes.		
<i>Rehabilitation costs were calculated based on the following assumptions:</i>		
<i>- an annual inflation rate of 5%</i>		
<i>- discount rate of 5%</i>		
<i>- the area expected to be rehabilitated: 5 hectares</i>		
<i>- the estimated closure date of the landfill site is 2019.</i>		
The movement in the non-current provision is reconciled as follows:-		
Provision for rehabilitation of landfill sites:		
Balance at the beginning of year	3 375 000	3 677 810
Contributions to provision	144 310	(302 810)
Balance at the end of year	3 519 310	3 375 000
Provision for long-service awards:		
Balance at the beginning of year	336 808	245 764
Contributions to provision	102 271	91 044
Balance at the end of year	439 079	336 808

16 Unspent conditional grants and receipts

Expanded Public Works Programme Grant (EPWP)		822 604
Financial Management Grant (FMG)		
Municipal infrastructure Grant (MIG)		3 680 788
Municipal Systems Improvement Grant (MSIG)		
Integrated national electrification programme Grant (INEP)		(13 477 233)
Small Town Improvement Grant	659 139	3 000 000
Imbube Cultural Village Grant	1 492 527	3 000 000
Sub-rank Facility Grant	2 297 692	3 000 000
Flea Market Grant	785 029	3 660 024
Sports Facility Grant	30 536	525 000
Sports Facility Maintenance Grant	75 535	
Provincialisation of Libraries Grant		
Community Library Services Grant		
ZDM Tourism Grant		
Thusong Centre Grant		308 923
Pound Grant	490 490	490 490
Planning and Development Grant	47 621	47 621
Administration Capacity Building Grant	205 686	205 686
Synergistic Partnership Grant	123 104	123 104
Strategic Support Grant	93 848	93 848
Integrated Electrification Red's Grant	98 000	98 000
Housing Community Gardens Grant	72 864	72 864
Tourism Candoover Grant	290 862	290 862
Municipal Development Planning and Capacity Building Grant	100 000	100 000
Total Unspent Conditional Grants and Receipts		

These amounts are invested in ring-fenced investments until utilised.

Expanded Public Works Programme Grant (EPWP)

Balance unspent at beginning of year	822 604	
Current year receipts	1 000 000	1 000 000
Conditions met- transferred to revenue	(1 822 604)	(177 396)
Conditions still to be met- remain liabilities		822 604

The purpose of the grant is to increase job creation efforts through the use of labour-intensive methods.

uPhongolo Local Municipality

Notes to the Annual Financial Statements for the year ended 30

	Note	2014 R	2013 R
Financial Management Grant (FMG)			
Balance unspent at beginning of year		1 650 000	1 500 000
Current year receipts		(1 650 000)	(1 500 000)
Conditions met- transferred to revenue			
Conditions still to be met- remain liabilities			
<i>The purpose of this grant is to promote and support reforms in financial management by building capacity to implement the Municipal Finance Management Act (MFMA).</i>			
Municipal Infrastructure Grant (MIG)			
Balance unspent at beginning of year		3 680 788	520 647
Current year receipts		15 514 000	20 371 000
Adjustments and transfers			(520 647)
Conditions met- transferred to revenue		(19 513 338)	(16 690 212)
Conditions still to be met- remain liabilities		(318 550)	3 680 788
<i>This grant is used to construct basic municipal infrastructure to provide basic services for the benefit of poor households. Other than the unspent amount, the conditions of the grant were met. The amount of R171 million was withheld by National Treasury as a result of poor performance in the implementation of MIG projects.</i>			
Municipal Systems Improvement Grant (MSIG)			
Balance unspent at beginning of year			1 078 652
Current year receipts		890 000	800 000
Adjustments and transfers			(1 078 652)
Conditions met - transferred to revenue		(890 000)	(800 000)
Conditions still to be met - remain liabilities			
<i>The purpose of this grant is to assist in building in-house capacity to perform municipal functions and stabilise institutional and governance systems.</i>			
Integrated national electrification programme Grant (INEP)			
Balance unspent at beginning of year		{13 477 233}	{1 341 308}
Current year receipts		14 000 000	
Withheld by National Treasury			{8 500 000}
Conditions met- transferred to revenue		{7 539 239}	{3 635 925}
Conditions still to be met- remain liabilities		(7 016 472)	(13 477 233)
<i>The purpose of this grant is to address the electrification backlog of occupied residential dwellings, the installation of bulk infrastructure and rehabilitation of electricity infrastructure in order to improve quality of supply.</i>			
Small Town Improvement Grant			
Balance unspent at beginning of year		3 000 000	
Current year receipts			3 000 000
Conditions met- transferred to revenue		(2 340 861)	
Conditions still to be met- remain liabilities		659 139	3 000 000
<i>The purpose of this grant is to install street lights and high masts in uPhongolo Town.</i>			
Imbube Cultural Village Grant			
Balance unspent at beginning of year		3 000 000	
Current year receipts			3 000 000
Conditions met- transferred to revenue		(1 507 473)	
Conditions still to be met- remain liabilities		1 492 527	3 000 000
<i>The purpose is for the construction of the Imbube Cultural Village to take advantage of the Route 66 as part of investment strategy to boost tourism in uPhongolo.</i>			

uPhongolo Local Municipality

Notes to the Annual Financial Statements for the year ended 30

	Note	2014 R	2013 R
Sub-rank Facility Grant			
Balance unspent at beginning of year		3 000 000	
Current year receipts		3 000 000	3 000 000
Conditions met - transferred to revenue		(3 702 308)	
Conditions still to be met - remain liabilities		2 297 692	3 000 000

The purpose of the grant is to construct the sub-rank facility in uPhongolo town.

Flea Market Grant

Balance unspent at beginning of year	3 660 022	2 417 631
Current year receipts		2 700 000
Conditions met- transferred to revenue	(2 874 993)	(1 457 609)
Conditions still to be met - remain liabilities	785 029	3 660 022

This grant is used for the construction of the flea market.

Sports Facility Grant

Balance unspent at beginning of year	525 000	525 000
Current year receipts	1 200 000	
Conditions met - transferred to revenue	(1 694 464)	
Conditions still to be met - remain liabilities	30 536	525 000

The purpose of the grant is to upgrade the sports facility at Ncotshane Township.

Sports Facility Maintenance Grant

Balance unspent at beginning of year		
Current year receipts	150 000	
Conditions met- transferred to revenue	(74 465)	
Conditions still to be met - remain liabilities	75 535	

The purpose of the grant is for the maintenance and upkeep of the sports facility at Ncotshane Township.

Princialisation of Libraries Grant

Balance unspent at beginning of year		
Current year receipts	886 000	440 000
Conditions met- transferred to revenue	(886 000)	(440 000)
Conditions still to be met - remain liabilities		

The purpose of this grant is to subsidise operational costs associated with libraries.

Community Library Services Grant

Balance unspent at beginning of year		
Current year receipts	19 000	105 800
Conditions met- transferred to revenue	(19 000)	(105 800)
Conditions still to be met - remain liabilities		

This grant is used to pay the salary of the library Cyber Cadet

ZDM Tourism Grant

Balance unspent at beginning of year		
Current year receipts		100 000
Conditions met - transferred to revenue		(100 000)
Conditions still to be met - remain liabilities		

To subsidise costs incurred by the municipality in the promotion of tourism within the municipal area

uPhongolo Local Municipality

Notes to the Annual Financial Statements for the year ended 30

	Note	2014 R	2013 R
Thusong Centre Grant			
Balance unspent at beginning of year		308 923	
Current year receipts			400 000
Conditions met- transferred to revenue		(308 923)	(91 077)
Conditions still to be met - remain liabilities			308 923

The purpose of this grant is to subsidise operational costs associated with the Thusong Centre.

Pound Grant

Balance unspent at beginning of year		490 490	808 381
Current year receipts			
Conditions met- transferred to revenue			(317 891)
Conditions still to be met- remain liabilities		490 490	490 490

This grant was provided in order to construct a pound in the uPhongolo Municipal area

Planning and Development Grant

Balance unspent at beginning of year		47 621	47 621
Current year receipts			
Conditions met - transferred to revenue			
Conditions still to be met - remain liabilities		47 621	47 621

The purpose of the grant is to assist the municipality with the implementation of development administration capacity building

Administration Capacity Building Grant

Balance unspent at beginning of year		205 686	205 686
Current year receipts			
Conditions met- transferred to revenue			
Conditions still to be met- remain liabilities		205 686	205 686

The purpose of the grant is to assist the municipality with the implementation of development administration capacity building

Synergistic Partnership Grant

Balance unspent at beginning of year		123 104	123 104
Current year receipts			
Conditions met- transferred to revenue			
Conditions still to be met- remain liabilities		123 104	123 104

The purpose of the grant is to facilitate the involvement of the Traditional Leaders in the Council meetings

Strategic Support Grant

Balance unspent at beginning of year		93 848	93 848
Current year receipts			
Conditions met - transferred to revenue			
Conditions still to be met- remain liabilities		93 848	93 848

The purpose of the grant is to with the implementation institutional end governance systems.

Integrated Electrification Reds Grant

Balance unspent at beginning of year		98 000	98 000
Current year receipts			
Conditions met - transferred to revenue			
Conditions still to be met - remain liabilities		98 000	98 000

The purpose of the grant is to assist with the planning for the implementation of reds.

uPhongolo Local Municipality

Notes to the Annual Financial Statements for the year ended 30

	Note	2014 R	2013 R
Housing Community Gardens Grant			
Balance unspent at beginning of year		72 864	72 864
Current year receipts			
Conditions met - transferred to revenue			
Conditions still to be met- remain liabilities		72 864	72 864

The purpose of the grant is to assist the community of uPhongolo with the establishment of gardens

Tourism Candover Grant

Balance unspent at beginning of year	290 862	290 862
Current year receipts		
Conditions met- transferred to revenue		
Conditions still to be met- remain liabilities	290 862	290 862

The purpose of the grant is to promote tourism in Candover

Municipal Development Planning and Capacity Building Grant

Balance unspent at beginning of year	100 000	100 000
Current year receipts		
Conditions met - transferred to revenue		
Conditions still to be met- remain liabilities	100 000	100 000

The purpose of the grant is to assist the municipality with capacity development

Changes in levels of government grants

Based on the allocations set out in the Division of Revenue Act, (Act No.2 of 2013), the level of government grant funding is expected to increase by R30,1 million over the forthcoming 3 financial years.

17 Borrowings

Annuity Loans	448 400	845 281
Non -current borrowings	448 400	845 281
Current portion transferred to current liabilities	484 777	1234524
Annuity Loans	484 77	1234 52
Total borrowings	933 177	2 079 805

Refer to Appendix A for more detail on borrowings.

Certain land and buildings have been secured over the loan. Refer to note 8.

18 Finance lease liability

2014	Minimum lease payment R	Future finance charges R	Present value of minimum lease payments R
Amounts payable under finance leases			
Within one year	3 058 121	(261 763)	2 796 358
Within two to five years	3 463 580	(416 943)	3 046 637
	6 521 701	(678 706)	5 842 995
Less: Amount due for settlement within 12 months (current portion)			(2 796 358)
			3 046 637
2013	Minimum lease payment R	Future finance charges R	Present value of minimum lease payments R
Amounts payable under finance leases			
Within one year	1 583 842	(171 502)	1 412 340
Within two to five years	1 325 110	(53 291)	1 271 819
	2 908 952	(224 793)	2 684 159
Less: Amount due for settlement within 12 months (current portion)			(1 412 340)
			1 271 819

uPhongolo Local Municipality

Notes to the Annual Financial Statements for the year ended 30

	Note	2014 R	2013 R
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The instalment sale agreements with Absa Bank for the purchase of machinery and equipment bear interest at the average effective borrowing rate which varied between 8% (2013: 8%) and 9% (2013: 8.5%). The loans are repayable on a monthly basis and the final is due on 30 April 2015. Obligations under finance leases are secured by the leased asset with a cost of R3 643 904 (2013: R3 643 904). Refer to note 8.

The instalment sale agreements with Standard Bank for the purchase of motor vehicles bear interest at the average effective borrowing rate is 8.35% per annum. The loans are repayable on a monthly basis and the final is due on 30 June 2017. Obligations under finance leases are secured by the lessor's title to the leased asset with a carrying value of R (2013: Rnil). Refer to note 8.

19 Property rates

Actual

Residential		4 912 482	4 715 903
Commercial		4 654 738	4 709 900
State		1 333 780	
Other		692 1137	4 625 452
Total property rates		17 822 137	14 051 255
Property rates - penalties imposed and collection charges			
Total		17 822 137	14 051 255

Valuations

Residential	576 073 000	425 603 000
Commercial	1 506 397 580	1 572 140 580
State	91 997 000	48 606 000
Municipal	112 401 000	106 664 000
Other	232 558 000	173 622 000
Total Property Valuations	2 519 426 580	2 326 635 580

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2009. Internal valuations are processed on a quarterly basis to take into account changes in individual property values due to alterations. The new valuation should have been implemented on 1 July 2013 but was deferred to 1 July 2014 due to late appointment of the property valuer. The MEC for Cooperative Governance and Traditional Affairs condoned the non-compliance with the Municipal Property Rates Act.

A general rate of R0.01109 (2013: R0.01071) is applied to property valuations to determine assessment rates. Rebates of R60 000 are granted to residential and 30% state property owners. Rates are levied on a monthly basis on property owners.

Rates are levied on an annual basis with the final date of payment being 31 August 2014 (2013: 31 August). Interest at 10% per annum (2013: 10%) is levied on outstanding rates. No collection charges are levied by the municipality. The new valuation roll will be implemented on 1 July 2014.

20 Service charges

Sale of electricity	26 259 696	23 366 449
Refuse removal	6 249 207	5 457 582
Total Service Charges	32 508 903	28 824 031

21 Rental of facilities and equipment

Rental of facilities	615 903	801 963
Total rentals	615 903	801 963

22 Interest earned -external investments

Current Account	101 988	52 415
External investments	1 503 357	990 808
Total interest	1 605 345	1 043 223

23 Interest earned -outstanding receivables

Property rates	2 036 006	1 598 781
Services	2 009 160	1 674 767
Other	9 455	8 448
Total interest	4 054 621	3 281 996

uPhongolo Local Municipality

Notes to the Annual Financial Statements for the year ended 30

	Note	2014 R	2013 R
24 Government grants and subsidies			
Operating grants			
Equitable Share		64 393 000	59 786 000
Expanded Public Works Programme Grant (EPWP)		1 822 604	177 396
Financial Management Grant (FMG)		1 650 000	1 500 000
Municipal Systems Improvement Grant (MSIG)		890 000	800 000
Provincialisation of Libraries Grant		886 000	545 800
Community Library Services Grant		19 000	
Sports Facility Maintenance Grant		744 65	
IOP Participation Grant		200 000	
Pound Grant			317 891
ZDM Tourism Grant			100 000
Thusong Centre Grant		308 923	91 077
Total operating grants		70 243 992	63 318 164
Capital grants			
Municipal infrastructure Grant (MIG)		19 513 338	16 690 212
Integrated National Electrification Programme Grant (INEP)		7 539 239	3 635 925
Small Town Improvement Grant		2 340 861	
Flea Market Grant		2 874 993	1 457 609
Sub-Rank Facility Grant		3 702 308	
Imbube Cultural Village Grant		1 507 473	
Sports Facility Grant		1 694 464	
Total capital grants		39 172 676	21 783 746
Equitable Share			
Transfers received		64 393 000	59 786 000
Equitable Share		64 393 000	59 786 000
This grant is an unconditional grant which, in terms of the Constitution, is partly used to subsidise the provision of basic services to indigent community members. An amount of R1,996 million was withheld by National Treasury against the equitable share due to unspent municipal infrastructure grant in 2011/12.			
25 Other Income, Public Contributions And Donations			
Other income			
NPA fees		844 979	706 038
Transport subsidy		228 530	440 640
Sign boards		71 464	94 616
Burial fees		91 746	117 431
Building plans		60 436	50 802
Tender document fees		127 274	44 008
Certificate clearance and validation		20 075	23 096
Dumping fees		15 844	13 702
Electricity connection and reconnection fees		279 368	
Other income		103 180	469 130
Total Other Income		1 842 896	1 959 463
26 Employee Related Costs			
Employee related costs -Salaries and Wages		26 614 448	23 607 760
Employee related costs - Contributions for UIF, pensions and medical aids		4 258 544	3 443 493
Travel, motor car, accommodation, subsistence and other allowances		1 253 109	1 443 133
Housing benefits and allowances		27 724	30 000
Overtime payments		1 540 615	2 177 674
Performance and other bonuses		2 027 248	1 472 045
Other employee related costs		681 438	1 671 061
Skills development levy		296 466	336 489
Total		36 699 592	34 181 655

There were no advances to employees. The municipality does not give loans to employees.

uPhongolo Local Municipality

Notes to the Annual Financial Statements for the year ended 30

	Note	2014 R	2013 R
Remuneration of the Municipal Manager			
Annual Remuneration		828 052	266 667
Performance- and other bonuses			
Travel, motor car, accommodation, subsistence and other allowances		44 045	22 244
Contributions to UIF, Medical and Pension Funds			3 309
Total		872 097	292 220
Remuneration of the Chief Finance Officer			
Annual Remuneration		752 065	689 353
Performance- and other bonuses			
Travel, motor car, accommodation, subsistence and other allowances		69 425	45 584
Contributions to UIF, Medical and Pension Funds			7 346
Total		821 490	742 283
Remuneration of Technical Services Manager			
Annual Remuneration		618 726	277 890
Performance- and other bonuses			
Travel, motor car, accommodation, subsistence and other allowances		31 969	18 894
Contributions to UIF, Medical and Pension Funds			3 427
Total		650 695	300 211
Remuneration of Community Services Manager			
Annual Remuneration		515 793	505 856
Performance- and other bonuses			
Travel, motor car, accommodation, subsistence and other allowances		50 527	268 451
Contributions to UIF, Medical and Pension Funds			7 683
Total		566 320	781 990
Remuneration of Corporate Services Manager			
Annual Remuneration			469 230
Performance- and other bonuses			455 051
Travel, motor car, accommodation, subsistence and other allowances			
Contributions to UIF, Medical and Pension Funds			9 312
Total			933 593
27 Remuneration of Councillors			
Mayor		384 501	348 290
Deputy Mayor		316 008	280 982
Speaker		576 812	489 516
Executive Committee Members		893 953	780 992
Councillors		4 737 884	4 194 053
Councillors' pension and medical aid contributions			
Total Councillors' Remuneration		6909158	6093833
Councillors' remuneration comprises:			
Councillors' remuneration		511 2478	4 243 521
Motor vehicle allowance		1 486 275	1 429 803
Cell phone allowance		310 405	420 509
Total Councillors' Remuneration		6 909158	6 093 833
In-kind Benefits			
The Mayor, Deputy Mayor and Executive Committee Members are not full time. Only the Speaker is full-time. The Mayor and Speaker are provided with an office and secretarial support at a cost to the Council.			
The Mayor has use of the Council owned vehicle for official duties. The Mayor has 2 and the Speaker 3 contracted bodyguards.			
28 Contribution to provisions			
Contribution to Leave Provision		1 112 472	392 630
Contribution to Landfill Provision		144 310	(302 810)
Contribution to VAT and PAYE Provision- SARS		6 297 860	
Total contribution to provisions		7 554 642	89 820

uPhongolo Local Municipality

Notes to the Annual Financial Statements for the year ended 30

	Note	2014 R	2013 R
29 Depreciation and amortisation			
Property, plant and equipment		4 607 689	3 158 502
Intangible assets		22 877	36 344
Total Depreciation and Amortisation		4 630 566	3 194 846
30 Finance costs			
Borrowings		471 172	764 688
SARS		276 071	
Suppliers		35 232	
Total Finance Costs		782 475	764 688
31 Bulk purchases			
Electricity		20 418 950	18 858 816
Total Bulk Purchases		20 418 950	18 858 816
Electricity distribution losses			
Distribution losses (units)		3 325 693	5 614 051
Percentage electricity distribution losses		11.0%	18.5%
The municipality purchased 30 307 024 units (2013: 30 274 396 units) from Eskom but only sold 26 981 331 (2013: 24 660 345 units) to consumers. This represents a loss of 3 325 693 units equating R2 228 214 (2013: 5 614 051 units equating R3 817 555) translating to a percentage loss of 11% (2013: 18.5%).			
32 Contracted services			
Contracted services for:			
Security services		3 490 962	2 745 669
Financial and ICT systems support		1 597 035	311 805
Value-Added Tax services		812 963	818 593
Refuse removal and landfill site maintenance		4 426 909	3 654 787
Outsourced electricity services		454 973	488 248
Maintenance of parks and gardens		1 729 564	1 132 358
		12 512 406	9 151 460
33 Grants and subsidies paid			
Free basic services to indigents		2 308 512	2 690 714
Rebates on property rates and services rendered			
		2 308 512	2 690 714
34 General expenses			
Advertising		529 410	666 905
Audit committee fees		107 437	149 108
Audit fees		1 946 392	2 426 324
Bank charges		107 667	102 757
Cleaning		145 449	211 017
Consulting and professional fees		3 025 050	2 853 120
Electricity and refuse		981 401	502 333
Entertainment		298 292	176 527
Fuel and oil		1 000 001	1 054 998
Hire of equipment		1 349 197	366 650
Insurance		943 867	712 921
Job creation - EPWP		2 506 462	
Legal expenses		218 434	182 297
Licence fees		539 244	576 380
Postage and courier		51 807	48 893
Printing and stationery		1 037 607	589 639
Public Participation		2 554 630	2 049 423
Rental of office equipment		788 599	742 198
Security		108 348	97 275
Shared services		313 312	
Subscriptions and membership fees		465 053	17 254

uPhongolo Local Municipality

Notes to the Annual Financial Statements

	Note	2014 R	2013 R
34 General expenses (Continued)			
Telephone and fax		753 443	741 411
Training		453 607	235 738
Transport		430 141	176 128
Travel and subsistence		3 465 111	2 596 647
Uniforms and overalls		313 244	82 709
Ward Upliftment		2 787 193	2 435 325
Water and Sanitation		122 813	154 718
Other		2 420 314	974 975
		<u>29 763 525</u>	<u>20 923 669</u>
35 Gains(loss) on sale of assets			
Property, plant and equipment		343 839	
Investment property		14 000	163 570
Total Gain / (Loss) on Sale of Assets		<u>357 839</u>	<u>163 570</u>
36 Impairment loss/(Reversal of impairment loss)			
Property, plant and equipment		45 241	396 816
Total Impairment loss		<u>45 241</u>	<u>396 816</u>
37 Profit(loss) on fair value adjustment			
Property, plant and equipment			
Investment property carried at fair value			101 475
Total Profit on Fair Value Adjustment			<u>101 475</u>
38 Cash generated by operations			
Surplus(deficit) for the year		33 000 455	34 219 546
Adjustment for:-			
Depreciation and amortisation		4 630 566	3 194 846
Interest income		-5 659 966	-4 325 219
(Gain) /loss on sale of assets		357 839	(163 570)
Contribution to provisions - non-current		1 256 782	89 820
Debt impairment		7 337 293	2 537 125
Finance costs		782 475	764 688
Fair value adjustments		0	101 475
Impairment loss / (reversal of impairment loss)		45 241	396 816
Inventories written down		10 804	30 623
Other non-cash item		2 378 797	1 366 839
Operating surplus before working capital changes:		<u>44 140 286</u>	<u>38 212 989</u>
Increase in inventories		-89 136	-35 752
Increase in exchange transactions		-154 320	-9 155 348
Increase in non-exchange transactions		-15 462 986	-278 072
Increase in prepayments		-160 181	0
Increase in conditional grants and receipts		820 352	597 296
Increase in exchange payables		4 885 489	472 512
Decrease in consumer deposits		-8 432	
Decrease in VAT payable		-4 022 799	1 431 916
Cash generated by operations		<u>29 948 273</u>	<u>31 245 541</u>
39 Cash and cash equivalents			
Cash and cash equivalents included in the cash flow statement comprise the following:			
Bank balances and cash		13 602 845	23 401 728
Net cash and cash equivalents		<u>13 602 845</u>	<u>23 401 728</u>

There was no bank overdraft outstanding at the end of the financial year.

uPhongolo Local Municipality

Notes to the Annual Financial Statements

	Note	2014 R	2013 R
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40 Correction of prior period errors

The comparatives for 2012/13 have been restated in respect of the following errors:

Property, plant and equipment

In the previous set of financial statements for the year ended 30 June 2013, the figure indicated under property, plant and equipment, was incorrectly stated as a result of repairs and maintenance recognised as property, plant and equipment as well as the duplication of electricity infrastructure expenditure in 2011/12.

The comparative amount has been restated as follows:

Closing balance as at 30 June 2013	124 399 699
Correction of error: Historical cost: Infrastructure duplicated and reversed against accumulated surplus	(3 986 469)
Correction of error: Historical cost: Land and buildings recognised - accumulated surplus	1 580 755
Correction of error: Historical cost: Repairs and maintenance	(1 535 287)
Correction of error: Historical cost: Computer repairs and maintenance incorrectly capitalised	(3 660)
Correction of error: Historical cost: Reversal of incorrect entry against infrastructure and charged to licences	8966
Correction of error: Historical cost: Reversal of incorrect entry against Infrastructure	725 745
Correction of error: Historical cost: Assets disposed off not accounted for	(456 426)
Correction of error: Accumulated depreciation: Correction of depreciation for 2011/12	(358 268)
Correction of error: Accumulated depreciation: Correction of depreciation for 2012/13	772 471
Correction of error: Accumulated depreciation: Correction of depreciation for 2011/12	(184 295)
Correction of error: Accumulated depreciation: Correction of depreciation for 2012/13	5 762
Correction of error: IT Equipment repairs and maintenance	(31 570)
Correction of error: Plant and machinery	24364
Restated balance	120 961 787

Investment property

After the compilation and submission of the annual financial statements for the year ended 30 June 2013, it became apparent that the investment

Closing balance as at 30 June 2013	88 094 749
Correction of error: Historical cost: Acquisition not recognised in 2012/13	343 000
Restated balance	88 437 749

Intangibles

After the compilation and submission of the annual financial statements for the year ended 30 June 2013, it became apparent that the intangibles were misstated. This was corrected and the balance is restated as follows:

Closing balance as at 30 June 2013	72 432
Correction of error: Historical cost: Reversal of incorrect adjustment made in 2012/13	35937
Correction of error: Historical cost: Reversal of incorrect adjustment made in 2012/13	(17 743)
Correction of error: Accumulated amortisation: Correction of depreciation for 2012/13	13471
Restated balance	104097

After the compilation and submission of the annual financial statements for the year ended 30 June 2013, it became apparent that the revenue received in advance was misstated. This was corrected and the balance is restated as follows:

Revenue received in advance previously reported	1 040 046
Correction of error: Revenue overstated in previous years	(723 815)
Restated balance	316 231

After the compilation and submission of the annual financial statements for the year ended 30 June 2013, it became apparent that the items listed below affecting financial performance were misstated. This was corrected and the balances are restated as follows:

Statement of Financial Performance:

Service charges	
Other income previously reported	28 785 441
Correction of error: Refuse income incorrectly recognised and now adjusted	38 590
Effect on financial performance	28 824 031
Rental of facilities and equipment	
Other income previously reported	577 763
Correction of error: Refuse income incorrectly recognised and now adjusted	224 200
Effect on financial performance	801 963

uPhongolo Local Municipality

Notes to the Annual Financial Statements

	Note	2014 R	2013 R
Other income:			
Other income previously reported			1 250 726
Reclassification: Agency fees			706 038
Reclassification: Information			826
Correction of error: Repairs and maintenance			1 873
Effect on financial performance			1 959 463
Agency fees			
Agency fees previously reported			706 038
Reclassification: Information			(706 038)
Effect on financial performance			
Remuneration of councillors			
Remuneration of councillors previously reported			5 996 633
Correction of error: Allowances not accrued			97 200
Effect on financial performance			6 093 833
Repairs and maintenance:			
Repairs and maintenance previously reported			5 491 098
Correction of error: General expenses misallocated			(3 659 311)
Correction of error: Repairs and maintenance capitalised			1 535 285
Correction of error: Repairs and maintenance of sidewalks misallocated to other income			1 873
Correction of error: Repairs and maintenance incorrectly capitalised as assets			3 660
Correction of error: IT Equipment repairs and maintenance capitalised as assets			31 470
Correction of error: Repairs and maintenance not accrued in 2012/13			61 109
Correction of error: Capital expenditure duplicated and shown as licences			24 480
Reclassification: Repairs and maintenance incorrectly allocated to insurance			560 514
Reclassification: Distribution network repairs misallocated to general expenses			396 602
Effect on financial performance			4 446 780
Depreciation and amortisation			
Depreciation and amortisation previously reported			3 975 026
Correction of error: Depreciation underprovided on work in progress not capitalised in error			5 762
Correction of error: Depreciation incorrectly stated			(772 471)
Correction of error: Amortisation overstated			(13 471)
Effect on financial performance			3 194 846
Bulk electricity purchases:			
Bulk purchases previously reported			19 038 885
Correction of error: Electricity charges misallocated			(180 069)
Effect on financial performance			18 858 816
Contracted services:			
Contracted services previously reported			9 157 331
Correction of error: Accrual not reversed			(5871)
Effect on financial performance			9 151 460
General expenses:			
General expenses previously reported			17 963 905
Correction of error: Electricity charges			180 069
Reclassification: Distribution network repairs			(396 601)
Correction of error: General expenses misallocated			3 659 312
Correction of error: General expenses not accrued			108 120
Reclassification: Electricity distribution repairs and maintenance			(560 514)
Reclassification: Obsolete inventory			(30 622)
Effect on financial performance			20 923 669
After all corrections of errors and changes in accounting policies are accounted for, the restated accumulated surplus as at 30 June 2013, will be as follows:			
Statement of Changes in Net Assets			
Closing balance as at 30 June 2013			232 284 735
Correction of error			(3 077 915)
Restated balance			229 206 820

uPhongolo Local Municipality

Notes to the Annual Financial Statements

	Note	2014 R	2013 R
41 Change in estimate			
In the previous financial year ended 30 June 2013, the debt impairment was computed based on the results of the screening process undertaken on all consumer debtors. This procedure was not in compliance with the debt policy of the municipality. In the current period management have revised the 2012/13 provision based on the debt policy. The effect of this revision has increased the debt provision for the current and future periods by R123 510.			
Revision of debt provision for the year in terms of policy			35 994 900
less: Amount provided not in terms of policy			(35 871 390)
Change in estimate			123 510

42 Unauthorised, irregular, fruitless and wasteful Expenditure

Unauthorised expenditure

Reconciliation of unauthorised expenditure

Opening balance		
Unauthorised expenditure current year	13 455 171	
Approved by Council or condoned		
Unauthorised expenditure awaiting authorisation	13 455 171	

The above unauthorised expenditure within the votes is as a result of year-end accounting transactions not budgeted for. This unauthorised expenditure was tabled in a special adjustment budget when the annual report is tabled accordance with section 23(6) of the Budget and Reporting Regulations. Despite the overspending on the above votes, the total expenditure did not overspend.

Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure

Opening balance -	184 923	
Fruitless and wasteful expenditure current year	284 475	184 923
Condoned or written off by Council	(232 718)	
To be recovered - contingent asset (see note 5)		
Fruitless and wasteful expenditure awaiting condonement	236 680	184 923

Incident	Disciplinary steps/criminal proceedings
Payment for refuse drums	Handed over to lawyers for collection
Payment for accommodation	Handed over to lawyers for collection
Interest on late payments	None

Irregular expenditure

Reconciliation of irregular expenditure

Opening balance	22 667 568	12 019 498
Irregular expenditure current year	15 048 772	10 648 070
Condoned or written off by Council		
Transfer to receivables for recovery - not condoned		
Irregular expenditure awaiting condonement	37 716 340	22 667 568

Incident	Disciplinary steps/criminal proceedings
Non-adherence to Supply Chain	None

The councillors referred the irregular expenditure to MPAC for investigation and was subsequently condoned.

51 Supply chain management regulations - Other Matters

Paragraph 13(c)(iii) of Government Gazette No.27636 issued in May 2005 indicates that a supply chain management policy must state that a municipality may not consider a written quotation or bid unless the provider who submitted a quotation or bid has indicated whether a spouse, child or parent of the provider or of a director, manager, shareholder or stakeholder referred to in subparagraph (ii) is in the service of the state, or has been in the service of the state in the previous twelve months.

Paragraph 45(a), (b) and (c) of Government Gazette No.27636 issued in May 2005 states that the notes to the annual financial statements of a municipality or municipal entity must disclose particulars of any award of more than R2,000 to a person who is a spouse, child, parent of a person in the service of the state, or has been in the service of the state in the previous twelve months.

uPhongolo Local Municipality

Notes to the Annual Financial Statements

	Note	2014 R	2013 R
Awards to employees from other organs of state			
Isibili Developments - KZN Department of Transport			
Ngelizwe Trading - KZN Department of Health		126 540	
Liquido Trading - KZN Department of Education		246 900	
		373 440	

52 Additional disclosures in terms of Municipal Finance Management Act

Contributions to organised local government (SALGA)

Opening balance			
Council subscriptions		475 000	427 500
Amount paid -current		(475 000)	(427 500)
Amount paid - previous years			
Balance unpaid (included in payables)			

Audit fees

Opening balance			
Current year audit fee		1917673	2 418 221
Amount paid - current year		(1 917 673)	(2 418 221)
Amount paid - previous years			
Balance unpaid (included in payables)			

The balance unpaid represents the audit fee for an interim audit conducted during May and June 2014 and is payable by 31 July 2014.

VAT payable

VAT output payable is shown in note 14. All VAT returns have been submitted by the due date throughout the year.

The municipality is on the payment basis of VAT as a result VAT payable represents future liability which will become payable once the receivables have been collected.

SARS has withheld the VAT refundable amounting to R6 805 874 at 30 June 2014. Further details in this regard are disclosed in note 15.

PAVE and UIF

Opening balance			
Current year payroll deductions		5 527 552	4 738 979
Amount paid -current year		(5 069 962)	(4 738 979)
Balance unpaid (included in payables)		457 590	

The balance represents PAYE and UIF deducted from the June 2014 payroll. These amounts were paid during July 2014

Pension and Medical Aid Deductions

Opening balance			
Current year payroll deductions and Council Contributions		6 041 065	4 814 619
Amount paid- current year		(5 510 637)	(4 814 619)
Balance unpaid (included in payables)		530 428	

The balance represents pension and medical aid contributions deducted from employees in the June 2014. These amounts were paid during July 2014.

Councillor's arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days as at: -

	Total R	Outstanding less than 90 days R	Outstanding more than 90 days R
as at 30 June 2014			
Cllr N J Mkhwanazi	926	592	334
Cllr K E Nxumalo	13 176	1 102	12 074
Cllr L Z Nxumalo	116	116	
Cllr A Z Thabede	1 777	1 777	
Cllr V P Mvelase	745	745	
Cllr C N Mavundla	130	130	
Total Councillor Arrear Consumer Accounts	16 870	4 462	12 408

uPhongolo Local Municipality

Notes to the Annual Financial Statements

	Note	2014 R	2013 R
Councillor's arrear consumer accounts			
The following Councillors had arrears accounts outstanding for more	Total R	Outstanding less R	Outstanding R
as at 30 June 2013	13 266	947	12 319
Cllr N J Mkhwanazi	17 885	696	17 189
Cllr K E Nxumalo	2 929	219	2 710
Cllr L Z Nxumalo	34 080	1 862	32 218
Total Councillor Arrear Consumer Accounts			
53 Capital commitments			
Commitments in respect of capital expenditure			
Approved and contracted for		11 867 527	29 380 786
Infrastructure		6 867 430	17 680 786
Community		5 000 097	11 700 000
Other			
Approved but not yet contracted for		148 343 950	166 649 300
Infrastructure		116 719 600	125 125 050
Community		9 361 400	5 451 750
Other		22 262 950	36 072 500
Total		160 211 477	196 030 086
This expenditure will be financed from:			
External Loans		13 215 000	17 543 000
Government Grants		137 948 527	173 757 586
Own resources		9 047 950	4 729 500
Total source of funds		160 211 477	196 030 086
54 Operating leases			
At the reporting date the entity has outstanding commitments under operating leases which fall due as follows:			
Operating leases - lessee			
Within one year		10 800	259 448
In the second to fifth year inclusive		7 200	
After five years			
Total		18 000	259 448
Operating Leases consists of the following:			
Operating lease payments represent rentals payable by the municipality for certain of its equipment. Leases are negotiated for an average term of two years and rentals are fixed for an average of three years. No contingent rent is payable.			
Operating leases- as lessor			
Minimum lease payments due			
Within one year			
In second to fifth year inclusive			
After five years			
Total			
Operating Leases consists of the following:			
Certain of the municipality's property is held to generate rental income. Rental income recognised from major operating leases has not been accounted for on the straight-line basis over the lease terms because the lease agreements had expired and in the process of being renewed. There are contingent rents receivable.			
55 Traffic fines			
Accrued fines		455 049	362 040
The recoverability of traffic fines is uncertain. 6.15% of the total outstanding fines are considered recoverable, in accordance with a 5 year trend analysis, and have been accrued.			

uPhongolo Local Municipality

Notes to the Annual Financial Statements

	Note	2014 R	2013 R
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56 Employee benefit Obligation

The municipality has been unsuccessful in obtaining the necessary information to support proper defined benefit plan accounting due to restrictions imposed by the multi-employer plan. It is therefore deemed impracticable to obtain this information at a suitable level of detail.

Thus, Some of the entities defined benefit plans are not treated as defined benefit plans as defined by GRAP 25, but are rather accounted for as defined contribution plans. These are listed under the defined contribution plan heading as a GRAP 25 Exception.

This is in line with the exemption in GRAP 25 which states that where information required for proper defined benefit plan accounting is not available in respect of multi-employer and state plans, these should be accounted for as defined contribution plans.

Pension benefits

The Municipality's personnel are members of one of the pension funds listed below:

- KwaZulu Natal Joint Municipal Pension Fund
- Municipal Gratuity Fund
- Municipal Employees Pension Fund
- Government Employees Pension Fund

As the aforementioned funds are multi-employer funds the allocation of any surplus/deficit to individual municipalities cannot be determined. Furthermore disclosure of further details such as actuarial assumptions cannot be attributed to any specific municipality and is of no relevance to users of the municipality's financial statements. As the required disclosure information cannot be obtained the funds are all treated as defined contribution plans. An independent valuer carries out a statutory valuation of the NJMPF on a triennial basis and an interim valuation on an annual basis. The 2014 actuarial valuations have not yet been released.

Superannuation Fund

The interim valuation carried out on the Superannuation Fund as at 31 March 2013 reflected:

- The memorandum account in respect of pensioners was fully funded.
- The liability in respect of active members was 96.2% funded.

Retirement and Provident Fund

The latest statutory valuation of the Retirement/Provident Fund (defined contribution) as at 31 March 2009 and the interim valuation as at 31 March 2013 revealed that:

- The memorandum account in respect of pensioners was fully funded
- The liability in respect of active members was 86% funded.

The following are defined benefit plans:

Long service benefit

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	336 809	245 764
Service cost	48 441	36 584
Interest cost	26 103	18 024
Actual gains or losses	27 727	47 330
<u>Benefits paid</u>		<u>(10 893)</u>
Total contributions expensed to the Statement of Financial Performance	439 080	336 809

The amounts recognised in the statement of financial performance

Service cost	48 441	36 584
Interest	26 103	18 024
Actuarial (gain)/loss recognised	27 727	47 330
Amount recognised in the statement of financial performance	102 271	101 938

Principal actuarial assumptions:

Assumptions used at the reporting date:

Discount rate used	9.00%	7.75%
Salary inflation	8.00%	6.75%

An actuarial valuation has been performed of the municipality's liability for long service benefits relating to vested leave benefits to which employees become entitled upon completion of the minimum of ten years' service. The provision is utilised when eligible employees receive the value of the vested benefits.

uPhongolo Local Municipality

Notes to the Annual Financial Statements

	Note	2014 R	2013 R
The fund benefit liability as at 30 June 2014 has been discounted at the rate determined by using the yield curve determined by the Bond Exchange of South Africa.			
Medical benefits			
Present value of funded obligations		2 502 511	2 148 382
Total present value of obligations		2 502 511	2 148 382
Liability for defined benefit obligations in the statement of financial position		2 502 511	2 148 382
Changes in the present value of the defined benefit obligation are as follows :			
Opening Balance		2 600 669	2 284 379
Interest costs		195 246	165 889
Actuarial losses(gains)		(130 681)	295 440
Benefits paid		(162 722)	(145 039)
Closing Balance		2 502 512	2 600 669
Expenses and income recognised in surplus for the period			
Current service costs		48 441	36 854
Interest costs		221 349	183 913
Actuarial gains and losses		(102 954)	342 769
		166 836	563 536
Principal actuarial assumption s:			
Discount rate used		9.00%	7.75%
Medical aid inflation		8.00%	7.25%

Included in the defined contribution plan mentioned in the above plan which is a multi-year employer fund and a defined benefit plan, but due to the fact sufficient information is not available to enable the municipality to account for the plan as a defined benefit plan. The municipality accounted for this plan as a defined contribution plan.

57 Contingent liabilities

Operation of unlicensed waste disposal site:

The Municipality operates an unlicensed waste disposal site in contravention of the requirements of a waste management license or permit and the norms and standards in terms of Section 67(1)(f) and (h) of the National Environmental: Waste Act, 2008 (Act No. 59 of 2008) (NEMWA) and Section 29(4) of the Environmental Conservation Act, 1989 (Act No. 73 of 1989). In that appropriate leachate control was not implemented and thus the groundwater at the site infiltrated and polluted. At year end there was a probable contingent liability the outcome of which was unknown.

Claim for contract fees

The Municipality is being sued by Municipal Pounds Implementation Programme for an amount of R157 614 due to differences in the interpretation of the service level agreement with regard to the payment of fees. Council is contesting the claim based on legal advice. At year end there was a probable contingent liability the outcome of which was unknown.

Claim for breach of contract

Maybuy Earthworks cc- this is a claim for damages in the amount of R2 062 915.34 excluding VAT against the municipality for breach of contract. The matter is defended by Council's attorneys.

Claim for use of private property without agreement

The Impala Water Users Association - this is a claim for the amount of R5 606.11 for the use of private property by the municipality without entering into a formal lease agreement with the owner of the property.

58 Contingent asset

Lessor - rental agreements

The municipality has submitted all expired lease agreements to its legal advisors to determine the recovery of rentals in arrears. These lease agreements expired in the previous financial years and were never renewed. The recoverable amount cannot be estimated accurately.

uPhongolo Local Municipality

Notes to the Annual Financial Statements

	Note	2014 R	2013 R
59 In-kind donations and assistance			
The Municipality received the following in-kind donations and assistance:			
Description			
Department of Cooperative Governance and Traditional Affairs			
<ul style="list-style-type: none"> • Review of year end procedures and annual financial statements for compliance with GRAP. • Monthly review of reconciliations and compliance with MFMA and SCM Regulations • Development of Revenue Enhancement Strategy 			
Provincial Treasury			
<ul style="list-style-type: none"> • Monitoring the implementation of the Supply Chain Management Regulations. 			
60 Related parties			
Other than the related parties indicated in note 25, 26 and 57, the municipality did not have any other related parties. No transactions occurred with related parties that were not at arm's length or not in the ordinary course of business.			
61 Events after the reporting date			
There were no events that occurred subsequent to year end that materially affected fair presentation of annual financial statements as at 30 June 2014.			
62 Key sources of estimation uncertainty and judgments			
The following areas involve a significant degree of estimation uncertainty:			
Useful lives and residual values of property, plant, and equipment			
Recoverable amounts of property, plant and equipment			
Provision for rehabilitation of landfill sites (discount rate used, number of years, amount of cash flows)			
Present value of defined benefit obligation			
Fair value of plan assets			
62 Key sources of estimation uncertainty and judgments			
Provision for doubtful debts			
Impairment of assets			
Provision for long-term service award			
The following areas involved judgements apart from those involving estimations disclosed above, that management has made in the process of applying the municipality's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:			
Impairment of assets			
Provisions			
Other			
63 Risk Management			
Maximum credit risk exposure			
Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.			
Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Amounts owing consumers debtors for rates and services are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.			
Capital risk management			
The municipality's objective when managing capital are to safeguard the municipality's ability to continue as a going concern in order to provide returns for member and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.			
The capital structure of the municipality consists of debt, which includes borrowings (excluding derivative financial liabilities) disclosed in note 22, cash and cash equivalents disclosed in note 3, and equity as disclosed in the statement of financial position			
There are no externally imposed capital requirements.			
There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.			

uPhongolo Local Municipality

Notes to the Annual Financial Statements

	Note	2014 R	2013 R
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Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. Municipality policy is to maintain approximately all of its borrowings in fixed rate instruments where possible.

At yearend Financial instruments exposed to interest rate risk were as follows:

- Call deposits
- Long term annuity

64 Restatement of comparative information

After the compilation of the financial statements for the year ended 30 June 2013, it became apparent that certain items of income and expenditure were incorrectly classified as shown below:

Statement of Financial Position:

Trade and other receivables from exchange transactions previously reported	34 173 962
Correction: Debtors not accrued in previous year	299 580
Reclassification: Property rates	(29 039 901)
Accrued electricity debtors	932 016
Effect on financial position	6 365 657

64 Restatement of comparative Information

Statement of Financial Position:

Trade and other receivables from non-exchange transactions previously reported	1 721 555
Reclassification: Prepayments	(427 500)
Reclassification: Accrued electricity debtors	(932 016)
Reclassification: Property rates	29 039 901
Reclassification: Outstanding deposit	40 415
Effect on financial position	29 442 355

Statement of Financial Position:

Prepayments previously reported	
Reclassification: Prepayments	427 500
Effect on financial position	427 500

Statement of Financial Position:

Trade and other payables from exchange transactions previously reported	15 820 827
Correction: Creditors not accrued in previous year	873 461
Reclassification: Consumer deposits	(511 886)
Reclassification: Outstanding deposit	40 415
Reclassification: Bonus provision for section 56 employees	(131 286)
Reclassification: Long service benefits	(336 808)
Effect on financial position	15 754 723

Statement of Financial Position:

Consumer deposits previously reported	
Correction: Reversal of incorrect adjustment in previous year	(50 946)
Reclassification: Consumer deposits transferred from creditors	511 885
Effect on financial position	460 939

Statement of Financial Position:

Current provisions previously reported	
Reclassification: Bonus provision for section 56 employees	131 285
Effect on financial position	131 285

uPhongolo Local Municipality

Notes to the Annual Financial Statements

	Note	2014 R	2013 R
Statement of Financial Position:			
Non-current provisions previously reported			3 861 700
Correction: Landfill site provision overstated in previous year			(486 700)
Reclassification: Long service benefits			336 808
Effect on financial position			3 711 808
Statement of Financial Performance:			
Employee related costs previously reported			33 774 320
Reclassification: General expenses (backpay)			407 335
Effect on financial performance			34 181 655
Statement of Financial Performance:			
Contribution to provisions previously reported			983 855
Correction: Landfill site provision overstated in previous year			(486 700)
Reclassification: General expenses (backpay)			(407 335)
Effect on financial performance			89 820
Statement of Financial Performance:			
Written down value of inventories previously reported			
Reclassification: Obsolete inventory transferred from general expenses			(30 623)
Effect on financial performance			(30 623)

65 Going concern

Attention is drawn to the fact that at 30 June 2014, the municipality had cash resources of R13 602 845 (2013: R23 401 728 and current liabilities of R32 887 468 (2013: R29 979 768) . This meant that the municipality was not in a position to meet its current obligations as at that date.

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent liabilities and commitments will occur in the ordinary course of business.

66 Comparative with the budget

The comparison of the Municipality's actual financial performance with that budgeted is set out on page 9

- uPhongolo Local Municipality
APPENDIX A
SCHEDULE OF EXTERNAL LOANS
as at 30 June 2014

EXTERNAL LOANS	Loan number	Redeemable Date	Balance at 30 June 2013 R	Received during the period R	Redeemed / written off during the period R	Balance at 30 June 2014 R	Carrying Value of Property, Plant & Equipment R	Other Costs in accordance with MFMA R
LONG-TERM LOANS								
First National Bank	4000014520209	11/06/2014	675 077	75589	-750 666	-	-	-
Amalgamated Banks of South Africa (Absa)	8061728158	31/08/2015	1330 058	87 896	-484 777	933 177		-
Development Bank of South Africa (DBSA)	61002545	30/06/2013	74 669	18 965	-93 634	-		-
<u>Total long-term loans</u>			<u>2 079 804</u>	<u>182 450</u>	<u>(1 329 077)</u>	<u>933 177</u>	<u>-</u>	<u>-</u>

This schedule does not form part of the annual financial statements and is presented for additional information purposes only

uPhongolo Local Municipality
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT

	as at 30 June 2014											Accumulated Depreciation and Accumulated impairment	
	Cost/Revaluation					Depreciation and impairment							
	Opening			Works in progress	Under Construction	Closing	Original Balance	Depreciation	Disposals	Impairment	Closing Balance	Transfers	Carrying Value
	Balance	Additions	Disposals	Used	Construction	Balance	R	R	R	R	R	R	R
Land	16731 244		(30000)			16701244							16701 244
Landfill Sites	948 179					948179							948179
	17679423		30000			17649423						-	17649 423
Buildings	14 005 553				-	14 005553	(6679099)	(419863)		(12623)	(7111 565)		6 893 966
Infrastructure													
Roads & Storm Water	59 416 328			2 433 424		61 649752	(9670205)	(3095986)		(1 757)	(12 767 948)		49 081 804
Electricity Meters	4011881			16788083		20799964	113416281	1685541		16581	115108401		19289124
	63428209			19221507		82649716	11011833	3264540		(2 415)	(14 278 788)		68 370928
Under construction													
Buildings	2098888				11986286	14064974				-			14064 974
Roads & Storm Water	21903247			(2 433 424)	17678085	37 147908							37 147908
Electricity Meters	12694240			(16 788083)	8345143	4 251300							4 251 300
	36696175			19221507	36009514	55464182				-			55464 182
Community Assets													
Parks & Gardens		-											
Libraries													
Recreation Grounds													
Civic Buildings													
Stadiums													
Halls													
Memorials													
Total carried forward	131809380		30000		38009514	167788874	17690932	3884403		15038	21390373		148 390 373

uPhongolo Local Municipality
APPENDIX B
ANALYSIS OF PROPERTY ASSETS

	Cost / Revaluation						Accumulated Depreciation					Transfers	Carrying Value
	Opening Balance	Additions	Disposals	Impairment capitalised	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss	Closing Balance		
Total brought forward	R 131 809 360	R	R (30 000)		R 38 009 514	R 169 788 874	R (17 690 932)	R (368 403)	R	R (150 38)	R (21 390 373)	R	R 148 398 501
Other Assets													
Furniture & Fittings	2 622 771	452 721	(758 073)			2 317 419	(1 737 552)	(188 954)	653 538		(1 272 968)		104 451
Machinery & Equipment	3 317 845	147 610	(418 771)			6 046 884	(1 974 098)	(452 483)	309 956	(30 203)	(21 468 28)		389 985 6
Motor Vehicles	2 172 829	4 201 674	(205 115)			6 169 388	(983 097)	(181 888)	153 728		(101 105 7)		515 633 1
Computer Equipment	107 097	225 609	(131 775)			116 481	(648 319)	(100 1 & 2)	105 289		(641 192)		52 361 9
	121 & U22	502 7614	151 3734			156 983 02	5341 066	1923 287	1222 511	30203	5072045		10626257
Finance lease Assets													
Machinery & Equipment													
Motor Vehicles													
	143 993 782	5 027 614	(1 543 734)		38 009 514	185 487 176	(23 031 9981)	(4 607 6901)	1222 511	(45 241}	(26 462 418)		159 024 758

uPhongolo Local Municipality
APPENDIX 8
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT

	Cost / Revaluation						Accumulated Depreciation and Accumulated Impairment					Transfers	Carrying Value
	Opening						Opening Balance	Depreciation		Impairment loss/Reversal of Impairment	Closing Balance		
	Balance R	Additions R	Adjustments R	Disposals R	Under Construction R	Closing Balance R	R	R	Disposals R	Reversal of Impairment R	R	R	R
Land and Landfol S. tes	16747 7 0 948179		428504	(445000)		16 731 244 948179							16 731 244 948 179
	17695919	0	428 504	5000	0	17679 23	0	0	0	0	0	0	17 679 423
Buttdtns	12853302		1152251			14 005 553	(5837224)	(27011)		(41 861)	(6679099)		7 326 454
Infr1struc-ture													
Roads	59107 543		(260091)		568 776	59416 328	(7 914 359)	(1755646)			(9670205)		9 748 123
Electrocity Maons	4011881					4011881	(1 212 008)	(129020)			(1 341 628)		2670253
	63119 524		260091		568776	83428 209	9126967	(1884 866)			11011833		32 416 376
Under construction													
Bwkt1ngs	883465	12 15223				2 098688							2 098688
Roads & Storm Water	9 712 044	14 276 995	(1517 016)		(588 776)	21 903 247							21 903 247
Electr1C1ty Matns	13 296 803	3133 119	(3 735 682)			12 694 240							12 694 240
	23 892 312	18 625 337	5252698		588 776	36696175							36 696 175
Community Assets													
Parks & Gardens													
Libranes													
Reaeation Gooonds													
C.vac Buoldongs													
Stad.,s													
Halls													
C4tnelenes													
Total a fo	111 1057	18 625 337	3932 034	Lo445_000L		131809360	(1 944 191)	(2 311 877)		(14 8641)	(17 690 932)		114 118 428

uPhongolo Local Municipality
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT

	Cost / Revaluation				Accumulated Depreciation				Transfers	Carrying Value
	Additions	Adjustment	Disposal	Construction	Opening Balance	Depreciation	Adjustment	Reversal		
					Balance					
	Opening Balance				Closing			of impairment		
	R	R	R	R	R	R	R	R	R	R
Total brought forward	117 561 057	186 253 37	(393 203 4)		131 809 360	(14 964 191)	(2 311 877)	(414 864)	(176 909 32)	114 118 426
Other Assets										
Furniture & Fittings	2 421 177	201 594		-	2 622 771	(1 546 934)	(161 641)	(28 977)	(173 755 2)	885 219
Machinery & Equipment	614 953 1	143 950	24 364		6 317 645	(1 236 256)	(468 856)	(268 886)	(197 409 8)	4 343 747
Motor Vehicles	2 172 829				2 172 829	(796 471)	(153 182)	(33 444)	(983 097)	1 189 732
Computer Equipment	844 984	225 993			1 070 977	(561 086)	(78 420)	(88 13)	(646 319)	424 656
Other Assets										
Finance Lease Assets	115 885 21	571 537	24 364		121 844 22	4 140 747	860 099	340 220	5 341 066	684 336
Machinery & Equipment										
Motor Vehicles										
Total	129 149 578	19 190 874	139 076 701		143 993 782	(19 104 938)	(3 371 976)	(755 084)	(23 031 998)	120 961 784

uPhongolo Local Municipality
APPENDIX C
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT
as at 30 June 2014

	Cost / Revaluation					Accumulated Depreciation				Carrying value R
	Opening Balance R	Additions R	Under Construction R	Disposals R	Closing Balance R	Opening Balance R	Additions R	Disposals R	Closing Balance R	
Executive & Council	2 497 955				2 497 955	(198 020)			(198 020)	2 299 935
Budget and Treasury	2 690 377	225 609		(131 775)	2784211	(1 871 598)	(100 162)	105 289	(1866 471)	917 740
Corporate Services	19615 778	4 654 395	11 986 286	(993 188)	35 263 271	(4 598 704)	(803 128)	807 266	(4 594 566)	30 668 705
Community & Social Services	1 728 087				1 728 087	(1 677 413)			(1 677 413)	50674
Sport & Recreation	23 255				23 255	(125 312)			(125 312)	(102 057)
Public Safety	378 124				378 124	(966 087)			(966 087)	(587 963)
Planning & Development	5 765 566	147 610		(418 771)	5 494 405	(185 566)	(482 686)	309 956	(358 296)	5 136 109
Road Transport	87 558 392		17 678 085		105 236 477	(11 967 200)	(3 097 743)		(15 064 943)	90 171 534
Electricity	22 787 528		8 345 143		31 132 671	(1 442 100)	(169 212)		(1 611 312)	29 521 359
Waste Management	948 725				948 725					948 725
Under Construction										
Total	143 993 787	5 027 614	38 009 514	(1 543 734)	185 487 181	(23 032 000)	(4 652 931)	1222 511	(26 462 420)	159 024 761

- uPhongolo Local Municipality
APPENDIX D
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 30 June 2014

2 013	2 013	2 013		2 014	2 014	2 014
Actual Income	Actual Expenditure	Surplus / (Deficit)		Actual Income	Actual Expenditure	Surplus / (Deficit)
R	R	R		R	R	R
7 663 771	14 192 153	(6 528 382)	Executive & Council	12 554 436	15 561 691	(3 007 255)
2 113 704	1 180 468	933 236	Municipal Manager	2 876 050	2 827 640	48 410
39 729 896	19 666 532	20 063 364	Budget and Treasury	39 060 215	27 645 321	11 414 894
11 346 313	14 422 859	(3 076 546)	Corporate Services	13 301 497	15 983 445	(2 681 948)
45 453 10	4 404 528	140 782	Community & Social Services	3 497 651	4 516 896	(1 019 245)
1 502 611	2 181 569	(678 958)	Sport & Recreation	5 780 125	3 558 826	2 221 299
6 845 065	7 332 813	(487 748)	Public Safety	5 871 891	8 249 140	(2 377 249)
22 221 336	6 037 894	16 183 442	Planning & Development	34 859 467	10 946 166	23 913 301
6 244 215	8 456 866	(2 212 651)	Road Transport	7 939 829	12 096 263	(4 156 434)
27 728 118	20 312 650	7 415 468	Electricity	36 175 601	24 678 592	11 497 009
5 996 301	3 907 499	2 088 802	Waste Management	7 095 710	9 904 387	(2 808 677)
2 062 377	1 683 640	378 737	Other	901 070	944 720	(43 650)
137 999 017	103 779 471	34 219 546		169 913 542	136 913 087	33 000 455
137 999 017	103 779 471	34 219 546	Less: Inter-Department Charges	169 913 542	136 913 087	33 000 455
			Total			

This schedule does not form part of the annual financial statements and is presented for additional information purposes only

uPhongolo Local Municipality

APPENDIX E

BUDGET FINANCIAL PERFORMANCE BY MUNICIPAL VOTE
for the year ended 30 June 2014

	2 013	2 013	2 013	2 014	2 014	2 014
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
Revenue						
Executive & Council	11 602 235	7 663 771	3 938 464	12 916 000	12 554 436	361 564
Municipal Manager	2 484 318	2 113 704	370 614	2 759 000	2 876 050	(117 050)
Budget and Treasury	29 725 968	39 729 896	(10 003 928)	39 167 579	39 060 215	107 364
Corporate Services	12 603 406	11 346 313	1 257 093	13 935 334	13 301 497	633 837
Community & Social Services	4 943 513	4 545 310	398 203	3 748 997	3 497 651	251 346
Housing				444 000		444 000
Sport & Recreation	2 556 348	1 502 611	1 053 737	3 450 688	5 780 125	(2 329 437)
Public Safety	6 998 736	6 845 065	153 671	7 724 136	5 871 891	1 852 245
Planning & Development	36 576 810	22 221 336	14 355 474	46 042 769	34 859 467	11 183 302
Road Transport	7 995 658	6 244 215	1 751 443	10 024 785	7 939 829	2 084 956
Electricity	24 424 919	27 728 118	(3 303 199)	40 607 786	36 175 601	4 432 185
Waste Management	5 833 559	5 996 301	(162 742)	6 784 470	7 095 710	(311 240)
Other	489 734	2 062 377	(1 572 643)	537 497	901 070	(363 573)
	<u>146 235 204</u>	<u>137 999 017</u>	<u>8 236 187</u>	<u>188 143 041</u>	<u>169 913 542</u>	<u>18 229 499</u>
Expenditure						
Executive & Council	12 595 081	14 192 153	(1 597 072)	18 891 546	15 561 691	3 329 855
Municipal Manager	2 749 599	1 180 468	1 569 131	3 015 631	2 827 640	187 991
Budget and Treasury	19 541 877	19 666 532	(124 655)	20 339 575	27 645 321	(7 305 746)
Corporate Services	14 105 109	14 422 859	(317 750)	13 730 812	15 983 445	(2 252 633)
Community & Social Services	4 813 587	4 404 528	409 059	5 882 378	4 516 896	1 365 482
Housing	400 000		400 000			
Sport & Recreation	2 396 637	2 181 569	215 068	3 273 039	3 558 826	(285 787)
Public Safety	7 250 183	7 332 813	(82 630)	8 844 585	8 249 140	595 445
Planning & Development	6 844 949	6 037 894	807 055	10 658 477	10 946 166	(287 689)
Road Transport	10 378 043	8 456 866	1 921 177	12 657 176	12 096 263	560 913
Electricity	22 459 801	20 312 650	2 147 151	25 353 705	24 678 592	675 113
Waste Management	5 693 340	3 907 499	1 785 841	5 573 185	9 904 387	(4 331 202)
Other	505 705	1 683 640	(1 177 935)	1 466 182	944 720	521 462
	<u>109 733 911</u>	<u>103 779 471</u>	<u>5 954 440</u>	<u>-</u>	<u>129 686 291</u>	<u>(7 226 796)</u>

This schedule does not form part of the annual financial statements and is presented for additional information purposes only

F
Phongolo Local Municipality APPENDIX F
UNSPENT CONDITIONAL GRANTS
as at 30 June 2014

Name of Grant	Unspent portion 2012/13 financial statements	Adjustment s and Transfers	Receipts during the year	Expenditure during the year	Unspent portion 2013/14 financial statements	Grants and Subsidies delayed /withheld	Reason for delay withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for non- compliance
	R	R	R	R	R				
Flea Market Grant	3 660 024			(2 874 993)	785 031	No	N/a	Yes	N/a
Municipal Infrastructure Grant	3 680 788		15 514 000	(19 513 339)	(318 551)	Yes	N/a	Yes	N/a
Integrated National Electrification Programme Grant	(13 477 233)		14 000 000	(7 539 239)	(7 016 472)	No	N/a	Yes	N/a
Municipal Systems Improvement Grant	-		890 000	(890 000)	-	No	N/a	Yes	N/a
Finance Management Grant	-		1 650 000	(1 650 000)	-	No	N/a	Yes	N/a
Pound Grant	490 490				490 490	No	N/a	Yes	N/a
Provisionalisation of libraries Grant	-		886 000	(886 000)	-	No	N/a	Yes	N/a
Library Community Services Grant	-		19 000	(19 000)	-	No	N/a	Yes	N/a
Sub-Rank Facility Grant	3 000 000		3 000 000	(3 702 308)	2 297 692	No	N/a	Yes	N/a
Cultural Village Grant	3 000 000			(1 507 473)	1 492 527	No	N/a	Yes	N/a
Street Lights Grant	3 000 000			(2 340 861)	659 139	No	N/a	Yes	N/a
Thusong Centre Operational Grant	308 923			(308 923)	-	No	N/a	Yes	N/a
Sports Facility Grant	525 000		1 200 000	(1 694 464)	30 536	No	N/a	Yes	N/a
Sports Facility Maintenance Grant	-		150 000	(74 465)	75 535	No	N/a	Yes	N/a
Expanded Public Works Programme Grant	822 604		1 000 000	(1 822 604)	-	No	N/a	Yes	N/a
IDP Grant	-		200 000	(200 000)	-	No	N/a	Yes	N/a
Development Administration Grant	205 686				205 686	No	N/a	Yes	N/a
Integrated Electrification Redds	98 000				98 000	No	N/a	Yes	N/a
Tourism Grant Crossover	290 862				290 862	No	N/a	Yes	N/a
Strategic Support Grant	93 848				93 848	No	N/a	Yes	N/a
Synergistic Partnership Grant	123 104				123 104	No	N/a	Yes	N/a
Housing Community Gardens Grant	72 864				72 864	No	N/a	Yes	N/a
Planning and Development Grant	47 621				47 621	No	N/a	Yes	N/a
Municipal Development Grant	100 000				100 000	No	N/a	Yes	N/a
	6 042 581		38 509 000	(45 023 669)	(472 088)				

Final report of the Audit Committee 2013/2014

We are pleased to present our report on the review of financial statements for the year ended 30 June 2014.

Audit Committee Members and Attendance:

The audit committee is functional and currently consists of three (3) members listed hereunder and meets at least four (4) times per annum. For the year ended 30 June 2014 the current audit committee met five (5) times during the year.

Current Audit Committee members

The Audit Committee membership and meetings related to 2013/14 financial year matters are listed below:

Name	Date of Meeting 21 & 27 August 2013	Date of Meeting 13 December 2013	Date of Meeting 31 January 2014	Date of Meeting 07 March 2014	Date of Meeting 20 June 2014
Prof. S Perumal (Chairperson)	X	✓	✓	✓	✓
Mr. L.G Nxumalo	✓	✓	✓	✓	✓
Mrs. A Stock	✓	✓	✓	✓	✓

✓ Member attended the Audit Committee meeting.

X : Member tendered apologies

Audit Committee Responsibility

The Audit Committee reports that it has complied with its responsibilities arising from **section 166 of the MFMA**

The Audit Committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of Internal Control

Based on the reports presented to the Audit Committee by Internal Audit unit during the audit committee meetings, the audit committee noted progress being made to improve the internal control system in the municipality. It also noted that management has implemented controls in most areas within the department to provide reasonable assurance that all major inherent risks are appropriately identified and applicable legislation is adhered to. Uphongolo Local Municipality had senior positions vacant during the year including Director Corporate Services, SCM Manager and a number of vacant posts in the finance department which severely compromised the internal control systems of the municipality.

There were suspected fraud and corruption case that were referred to the committee and such cases were discussed with management for corrective measures.

The quality of in year management and monthly/quarterly reports submitted in terms of the MFMA

The audit committee has requested the management to submit the monthly and/ or quarterly reports to the committee which are prepared in terms of MFMA. The reports will be submitted in the financial year 2014/2015.

Evaluation of Financial Statements

The Annual Financial Statements submitted were

- Noted on the 23rd of August 2014, the AFS submitted were incomplete. The finalized annual financial statements to be included in the draft annual report.
- The draft Annual report was not submitted to the Audit Committee on the 23rd of August 2014.
- The draft annual performance report was noted by the Audit Committee on the 23rd of August 2014.

Internal Audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to its results.

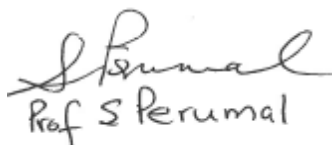
Auditor General South Africa

The Audit Committee intends to meet the Auditor General of South Africa to ensure that there are not unresolved issues.

Conclusion

The Audit committee concurs and accepts the Auditor-General's conclusion on the audited financial statement and it is of the opinion that the audited annual financial statement be accepted and read together with the report of the Auditor-General.

The audit committee would like to thank the council of UPhongolo Local Municipality for its continued good governance as well as the Municipal Manager, the Chief Financial Officer, the Internal Audit unit, the representatives from Department of local Government, office of the Auditor-general and all other stakeholders.



Prof S Perumal

Chairperson of the Audit Committee

Date 26 January 2015

APPENDIX A(ii): Councilors, Committees Allocated and Council Attendance

Councilors, Committees Allocated and Council Attendance					
Council Members	Full Time / Part Time	Committees Allocated	*Ward and/ or Party Represented	Percentage Council Meetings Attendance	Percentage Apologies for non-attendance
				%	%
Cllr M M Hadebe - Mayor	PT	EXCO, Finance, HR/Staff Committee, Performance Committee	ANC / PR	100%	-
Cllr H V Ngcamphalala - Speaker	FT	All Committees as Ex-officio	ANC / 10	100%	-
Cllr J B Ngema - Dep Mayor	PT	EXCO, Finance, HR/Staff Committee, Performance Committee, Technical Infrastructure & Planning,	NFP / PR	66.7%	-
Cllr M B Makhoba	PT	EXCO, Finance, Social Community & LED Committee	ANC / PR	50%	10%
Cllr A Z Thabede	PT	EXCO, Finance	IFP / PR	83.3%	-
Cllr E N Buthelezi	PT	EXCO, Social Community & LED Committee	IFP / 4	100%	-
Cllr K E Nxumalo	PT	HR/Staff Committee, Social Community & LED Committee, Technical Infrastructure & Planning Committee, MPAC	NFP / PR	50%	-
Cllr F F Simelane	PT		IFP / 1	83.3%	16.7%
Cllr N J Mkhwanazi	PT	Technical Infrastructure & Planning Committee, Social Community & LED Committee, MPAC	ANC / 2	100%	-
Cllr M J Phakathi	PT	HR/Staff Committee, MPAC, Social Community & LED Committee	NFP / 3	100%	-
Cllr M J Dlamini	PT	Technical Infrastructure & Planning Committee, Finance Committee, MPAC, Social Community & LED Committee	NFP / 5	100%	-
Cllr N P Mavuso	PT	MPAC	IFP / 6	100%	-
Cllr M P Khumalo	PT	Social Community & LED Committee	ANC / 7	100%	-
Cllr M C Nkumane	PT	HR/Staff Committee	IFP / 8	83.3%	-
Cllr S R Simelane	PT	HR/Staff Committee, MPAC	ANC / 9	100%	-
Cllr Z L Nxumalo	PT	Technical Infrastructure & Planning Committee, MPAC	ANC / 11	66.7%	-
Cllr M S Mtungwa	PT	Technical Infrastructure & Planning Committee, MPAC	NFP / 12	83.3%	-
Cllr D Nyawo	PT	Technical Infrastructure & Planning Committee, MPAC	ANC / 13	100%	-
Cllr N T Gumbi	PT	MPAC, Social Community & LED Committee	ANC / 14	100%	-
Cllr B C Nhlabathi	PT	HR/Staff Committee	ANC/PR	100%	-
Cllr B Mvelase	PT	MPAC, Finance Committee	ANC/PR	83.3%	-
Cllr C N Mavundla	PT	MPAC, Finance Committee	NFP/PR	83.3%	-
Cllr N M Mkhwanazi	PT	MPAC	NFP/PR	100%	-
Cllr J P Ngwenya	PT		IFP/PR	83.3%	16.7%
Cllr M M Mtungwa	PT		IFP/PR	66.7%	-
Cllr B H Nkosi	PT	Technical Infrastructure & Planning Committee,	IFP/PR	100%	-
Cllr J C Theron	PT	Technical Infrastructure & Planning Committee, MPAC	DA/PR	83.3%	-

APPENDIX B: Committees (other than Mayoral / Executive Committee) and Purposes of Committees

Committees (other than Mayoral / Executive Committee) and Purposes of Committees	
Municipal Committees	Purpose of Committee
HR/STAFF COMMITTEE	<p>The responsibilities of the Human Resources/Staff Portfolio Committee, in respect of its functional areas, are:</p> <ul style="list-style-type: none"> (a) to develop and recommend strategy; (b) to develop and recommend by-laws; (c) to consider and make recommendations in respect of the draft budget and IDP; (d) to ensure public participation in the development of policy, legislation, IDP and budget; (e) to monitor the implementation of Council policies; and (f) to exercise oversight on all functional areas.
FINANCE COMMITTEE	<p>The responsibilities of the Finance Portfolio Committee, in respect of its functional areas, are:</p> <ul style="list-style-type: none"> (a) to develop and recommend strategy; (b) to develop and recommend by-laws; (c) to consider and make recommendations in respect of the draft budget and IDP; (d) to ensure public participation in the development of policy, legislation, IDP and budget; (e) to monitor the implementation of Council policies; and (f) to exercise oversight on all functional areas.
SOCIAL COMMUNITY & LED COMMITTEE	<p>The responsibilities of the Social, Community and Local Economic Development Portfolio Committee, in respect of its functional areas, are:</p> <ul style="list-style-type: none"> (a) to develop and recommend strategy on all functional areas; (b) to develop and recommend by-laws on all functional areas ; (c) to consider and make recommendations in respect of the draft budget and IDP; (d) to ensure public participation in the development of policy, legislation, IDP and budget; (e) to monitor the implementation of Council policies on all functional areas; and (f) to exercise oversight on all functional areas.
MPAC	<p>MPAC performs an oversight function on behalf of the Council it is not a duplication of, and must not be confused with either the Internal Audit Committee or the Finance Committee. MPAC is to help Council to hold the executive and municipal administration to account and to ensure the efficient and effective use of municipal resources and it will do this by reviewing public accounts and exercising oversight on behalf of Council.</p>

Municipal Committees	Purpose of Committee
TECHNICAL INFRASTRUCTURE & PLANNING	<p>The Technical Infrastructure & Planning Portfolio Committee will formulate recommendations for consideration by the Executive Committee in relation to:</p> <ul style="list-style-type: none"> - Issues delegated to it by the Executive Committee or referred to it by the Municipal Manager; - Consideration of the Capital and Operating Expenditure as provided for in the budget for the current financial year and the right to authorize expenditure where such budgeted expenditure has been provisionally approved but excluding the right to reallocate expenditure from one vote to another or to the provisional status of funds where applicable; - Dealing with issues pertaining to the Council's Technical Infrastructure and Planning Services; - Implementing all policies and projects approved by the Council falling within the Terms of Reference of this Committee; Advising on the provision of appropriate facilities for the benefit of the inhabitants of the municipal area of jurisdiction; - annual business plans falling within the functional area of the portfolio; - the implementation of the business plans of the functional areas of the portfolio; - the review of financial performance against approved budgets relating to prior and current years including dealing with reports from the Auditor-General; - the draft budget in respect of the functional areas of the portfolio, including tariffs of charges after consultation with the relevant Head of Department; - reports and recommendations submitted in respect of the functional areas of the portfolio including comment arising from its - consideration of or amendments to by-laws pertaining to the function of the portfolio; - prioritising projects falling within the functional areas of the portfolio; <p>The Portfolio Committee may consult with the Municipal Manager and the relevant Head of Department on Council's policies and programmes.</p>

APPENDIX C : Third Tier Structure

Third Tier Structure	
Directorate	Director/Manager (State title and name)
Local Economic Development	LED Manager – Mr T Mazibuko
Internal Audit	Internal Audit Manager – Mr B Nkosi

APPENDIX D : Municipal / Entity Functions

Municipal / Entity Functions		
MUNICIPAL FUNCTIONS	Function Applicable to Municipality (Yes / No)*	Function Applicable to Entity (Yes / No)
Constitution Schedule 4, Part B functions:		
Air pollution	No	No
Building regulations	Yes	No
Child care facilities	No	No
Electricity and gas reticulation	Yes	No
Fire fighting services	Yes	No
Local tourism	Yes	No
Municipal airports	No	No
Municipal planning	Yes	No
Municipal health services	No	No
Municipal public transport	No	No
Municipal public works only in respect of the needs of municipalities in the discharge of their responsibilities to administer functions specifically assigned to them under this Constitution or any other law	Yes	No
Pontoons, ferries, jetties, piers and harbours, excluding the regulation of international and national shipping and matters related thereto	No	No
Storm water management systems in built-up areas	Yes	No
Trading regulations	Yes	No
Water and sanitation services limited to potable water supply systems and domestic waste-water and sewage disposal systems	No	No
Beaches and amusement facilities	No	No
Billboards and the display of advertisements in public places	Yes	No
Cemeteries, funeral parlours and crematoria	Yes	No
Cleansing	Yes	No
Control of public nuisances	Yes	No
Control of undertakings that sell liquor to the public	No	No
Facilities for the accommodation, care and burial of animals	No	No
Fencing and fences	No	No
Licensing of dogs	No	No
Licensing and control of undertakings that sell food to the public	No	No
Local amenities	No	No
Local sport facilities	Yes	No
Markets	Yes	No
Municipal abattoirs	No	No
Municipal parks and recreation	Yes	No
Municipal roads	Yes	No
Noise pollution	No	No
Pounds	Yes	No
Public places	No	No
Refuse removal, refuse dumps and solid waste disposal	Yes	No
Street trading	Yes	No
Street lighting	Yes	No
Traffic and parking	Yes	No

APPENDIX E: WARD REPORTING

Functionality of Ward Committees								
Ward Name (Number)	Name of Ward Councillor and elected Ward committee members				Committee established (Yes / No)	Number of monthly Committee meetings held during the year	Number of monthly reports submitted to Speakers Office on time	Number of quarterly public ward meetings held during year
	WARD COUNCILLOR	NAME	SURNAME	SECTOR REPRESENTED				
1	CLLR F F SIMELANE	NKOSI	PHIWAYINKOSI	FAITH BASED	YES	12	12	13
		MSIBI	SINDI	HEALTH & SOCIAL DEV				
		MABASO	SIFISO	EDUCATION				
		MASUKU	MPHENI	ENVIROMENT AND TOURISM				
		KUNENE	GEORGE	SAFETY & SECURITY				
		MHLONGO	SHAYINKOMO	FARM WORKERS				
		MTHETHWA	THEMBINKOSI	PHYSICALLY CHALLENGED				
		KUNENE	SINDI	WOMEN				
		MASANGO	SIMANGELE	YOUTH				
		NKOSI	SILINDELO	TRADITIONAL INSTITUTION				
2	CLLR N J MKHWANAZI	SIMELANE	LUKE	BUSINESS	YES	12	12	4
		MANANA	WONDERBOY	HEALTH & SOCIAL DEV				
		MKHWEBANE	NKOSINATHI	PUBLIC TRANSPORT				
		MATHENJWA	ESTHER	FAITH BASED				
		MANANA	PHATHI	WOMEN				
		NDIMANDE	HLAKANIPHILE	YOUTH				
		NXUMALO	NKOSINGIPHILE	EDUCATION				
		SHONGWE	MDUDUZI	CIVIC ASSOCIATION				

		THABEDE	MORIANAH	HEALTH &SOCIAL DEV				
		NDLANGAMAND LA	SIMON	SAFETY AND SECURITY				

Ward Name (Number)	Name of Ward Councillor and elected Ward committee members				Committee established (Yes / No)	Number of monthly Committee meetings held during the year	Number of monthly reports submitted to Speakers Office on time	Number of quarterly public ward meetings held during year
	WARD COUNCILLOR	NAME	SURNAME	SECTOR REPRESENTED				
3	CLLR M J PHAKATHI	VACANT		YOUTH	YES	12	12	6
		HLATSHWAYO	JABU	WOMEN				
		MSIBI	JALI	FAITH BASED				
		MALINGA	MVUMELANI	TRADITIONAL INSTITUTIONS				
		SIBIYA	THEMBI	HEALTH AND SOCIAL DEV				
		SIBIYA	ZWELETHU	PROFESSIONALS				
		SIBIYA	ZWELENKOSI	SAFETY AND SECURITY				
		SIBIYA	VUMA	BUSINESS				
		VACANT		SPORTS ANDS RCREATION				
		NYANDENI	TIMOTHY	TRANSPORT				
	CLLR E N BUTHELEZI	MBOKAZI	DUMISANI ABEDNICO	FAITH BASED	YES	12	12	4
		SHONGWE	BHALIYA	BUSINESS				
		DLAMINI	CAROL MBALI	YOUTH				
		BUTHELEZI	JOMO	SAFETY AND SEC.				
		MAHLABA	MAUREEN J	EDUCATION				

		DLAMINI	GUGULETHU S	HEALTH &SOCIAL DEV				
		VACANT		WOMEN				
		VACANT		FARMERS				
		MTHIMKHULU	PATRICK MDUDUZI	TRADITIONAL INST				
		NTSHANGASE	NOMVULA	PHYSICALLY CHAL				

Ward Name (Number)	Name of Ward Councillor and elected Ward committee members				Committee established (Yes / No)	Number of monthly Committee meetings held during the year	Number of monthly reports submitted to Speakers Office on time	Number of quarterly public ward meetings held during year
	WARD COUNCILLOR	NAME	SURNAME	SECTOR REPRESENTED				
5	CLLR M J DLAMINI	MAHLOBO	CEBISILE	HEALTH &SOCIAL DEV	YES	12	11	9
		MAHLOBO	BONGANI	PHYSICALLY CHALLENGED				
		NDLANGAMANDLA	NTOMBIZODWA	WOMEN				
		NHLENGETHWA	CLEOPAS	PUBLIC TRANSPORT				
		KHANYILE	STHETHELELE	EDUCATION				
		SIBIYA	SIPHO	YOUTH				
		SIBIYA	DARIUS	FAITH BASED				
		MTSHALI	JABULANI	TRADITIONAL				
		KUNENE	SIPHO	SPORTS&RECREATION				
		VACANT		SAFETY AND SECURITY				
6	CLLR N P MAVUSO	MALINGA	ZIBUSE	SAFETY AND SECURITY	YES	12	12	6
		MAVUSO	ADAM	PHYSICALLY CHALLENGED				
		MAVUSO	ROBERT	ENVIROMENT &TOURISM				

		SIBIYA	WELCOME	YOUTH				
		MASUKU	ZODWA	HEALTH AND SOCIAL DEV				
		NDWANDWE	STAFF	WOMEN				
		SIBIYA	HAPPY	FARM WORKERS				
		SIBIYA	CELUMUSA	EDUCATION				
		MOTHA	PHILLIMON	FAITH BASED				
		MAVUSO	ZACHARIA	TRANSPORT				

Ward Name (Number)	Name of Ward Councillor and elected Ward committee members				Committee established (Yes / No)	Number of monthly Committee meetings held during the year	Number of monthly reports submitted to Speakers Office on time	Number of quarterly public ward meetings held during year
	WARD COUNCILLOR	NAME	SURNAME	SECTOR REPRESENTED				
7	CLLR M P KHUMALO	SIMELANE	FRIEDAH	SENIOR CITIZENS	YES	12	12	4
		THABEDE	TAPPY	YOUTH				
		NTULI	DANIEL	FAITH BASED				
		DLAMINI	JUSTICE	PROFESSIONALS				
		NCUBE	SIYABONGA	SPORTS AND RECREATION				
		NCUBE	NKOSINGIPHILE NANA	WOMEN/PHYSICALLY				
		NTSHANGASE	THEMBA	PUBLIC TRANSPORT				
		DLAMINI	BHEKI	BUSINESS				
		YENDE	SAMSON	COMMUNITY BASED & SAFETY				
		DLAMINI	JELITHA	HEALTH & SOCIAL DEV				
8	CLLR N C NKUMANE	SIMELANE	THEMBELIHLE	NGO/CIVIL	YES	12	12	7

		BUTHELEZI	MANTOMBI	WOMEN				
		SIYAYA	THULANI	EDUCATION				
		ZONDO	SENZELENI	TRADITIONAL INSTITUTIONS				
		SHABANGU	THABISILE	PUBLIC TRANSPORT				
		SIMELANE	NOMASWAZI	FARMERS				
		MALINGA	THOLAKELE	BUSINESS				
		SHABALALA	COMFORT	YOUTH				
		NKOSI	EXCELLENT	HEALTH AND SOCIAL DEV				
		MLABA	ZWELISHA	SAFETY AND SECURITY				
Ward Name (Number)	Name of Ward Councillor and elected Ward committee members				Committee established (Yes / No)	Number of monthly Committee meetings held during the year	Number of monthly reports submitted to Speakers Office on time	Number of quarterly public ward meetings held during year
	WARD COUNCILLOR	NAME	SURNAME	SECTOR REPRESENTED				
9	CLLR S R SIMELANE	KUNENE	BHEKISISA	YOUTH	YES	12	12	12
		GUMBI	CATHRINAH	WOMEN				
		MBHAMALI	MADODA	PUBLIC TRANSPORT				
		MNGADI	DUMISANI	HEALTH&SOCIAL DEV				
		CAVANT		SAFETY & SECURITY				
		SIMELANE	ISAIC	PHYSICALLY CHALLENGED				
		NGWENYA	VELEPHI	BUSINESS/INFORMAL				
		MATHENJWA	SUGAR	FARMERS				
		LUTHER	KESTER	FAITH BASED				
		GUMBI	NKOSIKAYIHLULEKI	EDUCATION				
10	CLLR H V NGCAMPHALALA	THABEDE	BONGINKOSI	YOUTH	YES	12	12	4
		MOLAPO	SAMSON	EDUCATION				
		NXELE	BONGINKOMO	FAITH BASED				

		THINDWA	LINDIWE	HEALTH&SOCIAL DEV				
		LUKHELE	BHEKI ANDREW	SAFETY& SECURITY				
		NSUKWINI	THEMBA	BUSINESS				
		NXUMALO	SAM	PROFESSIONALS				
		MWELASE	MTHANDENI	CIVIC ASSOCIATION				
		NTSHANGASE	MENZI	PUBLIC TRANSPORT				
		NYAWO	BALIWE	WOMEN				

Ward Name (Number)	Name of Ward Councillor and elected Ward committee members				Committee established (Yes / No)	Number of monthly Committee meetings held during the year	Number of monthly reports submitted to Speakers Office on time	Number of quarterly public ward meetings held during year
	WARD COUNCILLOR	NAME	SURNAME	SECTOR REPRESENTED				
11	CLLR Z L NXUMALO	MADUNA	ISAIAH SILO	FARM WORKERS	YES	12	11	6
		XABA	SAMKELISIWE ROSE	WOMEN				
		KHUMALO	MNDENI ROSE	YOUTH				
		NKOSI	HAZEL LIHLE	PHYSICALLY CHALLENGED				
		NDLANZI	RANDERMAN	SAFETY AND SECURITY				
		MABASO	THULI KHANYISILE	HEALTH &SOCIAL DEV				
		NKOSI	JABULILE SIGNATURE	NEGLETED/REMOTE				
		STOKVEER	INNOCENT ANDRIES	PUBLIC TRANSPORT				
		MSELI	MTHOBISI	EDUCATION				
		THABEDE	WINILE ZIBUYISILE	BUSINESS				
12	CLLR M S MTUNGWA	RADEBE	NTOKOZO	SPORTS AND RECREATION	YES	12	12	8
		MASHABANE	PERCY	HEALTH &SOCIAL DEV.				

		MNTUNGWA	NOMTHANDAZO	EDUCATION				
		NDLANGAMANDLA	AMOS KHUZULWANDLE	COMMUNITY SAFETY				
		NDLANGAMANDLA	SIZWE	FAITH BASED				
		ZWANE	CLEMENT	PUBLIC TRANSPORT				
		KHAOLA	GRACE	TRADITIONAL INSTITUTIONS				
		VACANT		WOMEN				
		MNYEZIMA	NOKUBONGA	YOUTH				
		NDLANGAMANDLA	ABEDNIKO	PHYSICALLY CHALLENGED				

Ward Name (Number)	Name of Ward Councillor and elected Ward committee members				Committee established (Yes / No)	Number of monthly Committee meetings held during the year	Number of monthly reports submitted to Speakers Office on time	Number of quarterly public ward meetings held during year
	WARD COUNCILLOR	NAME	SURNAME	SECTOR REPRESENTED				
13	CLLR D NYAWO	SITHOLE	NKULULEKO	SOCIAL DEV. & SPORTS	YES	12	12	6
		MYENI	SIFISO	PUBLIC TRANSPORT				
		MOTHA	ZAMOKUHLE	BUSINESS				
		NTSHANGASE	JOSHUA	CIVIC ASSOCIATION				
		MYENI	SIGCINO	YOUTH				
		KHANYI	NOBUHLE	WOMEN/FAITH BASED				
		SITHOLE	SIPHIWE	PROFESSIONALS				
		BUTHELEZI	SIBONGILE	ENVIROMENT/TOURISM				
		MYENI	NURSE	PHYSICALLY CHALLENGED				
		NGUBANE	BONGANI	TRADITIONAL				
		TEBOGO	BUTHELEZI	YOUTH				
14	CLLR N T GUMBI	MATHENJWA	DUMAZILE	EDUCATION	YES	12	11	4
		MTHETHWA	PINKY	WOMEN				

	NKOSI	MBUZO	YOUTH				
	DLAMINI	SIKHUMBUZO	BUSINESS				
	NXUMALO	NOMUSA	PHYSICALLY CHALLENGED				
	NKOSI	JENENE	SAFETY & SECURITY				
	MAGWAZA	KHULULIWE	HEALTH & SOCIAL DEV				
	THABEDE	NOKULUNGA	TRADITIONAL INST.				
	DLAMINI	NELISIWE	PUBLIC TRANSPORT				
	VACANT		FARMERS				

APPENDIX F (II): BASIC SERVICE PROVISION

Basic Service Provision					
Detail	Water	Sanitation	Electricity	Refuse	Housing
Households with minimum service delivery					
Households without minimum service delivery					
Total Households*	17759	16145	7986	3918	
Houses completed in year					
Shortfall in Housing units					
*Including informal settlements					T F.2

APPENDIX G: Municipal Audit Committee Recommendations

DATE OF COMMITTEE	COMMITTEE RECOMMENDATIONS DURING YEAR 2013/2014	Recommendations adopted (enter Yes) If not adopted (provide explanation)
21-Aug-13	CFO to e-mail the completed Draft AFS to all Audit Committee members so that they give inputs.	No, AFS were submitted late by the Service provider
	The Honourable Speaker to be requested to postpone the Full Council Meeting from 28th to 29th August 2013 so that after the Audit Committee and MPAC has met, the Management will have a whole day to do amendments.	Yes
	PMS Manager to add two columns, namely "Reason" and "Corrective measures".	Yes
	PMS Manager to add a column where date of achievement will be included.	Yes
	PMS Manager to liaise with the SCM Unit to give information of external Service Providers	Yes
	The Internal Auditor to put dates when PMS was reviewed so that it will be clear if it has been actioned or not	Yes
	The Draft AFS were noted and they be submitted to the next Full Council Meeting for approving/noting and thereafter be submitted to AG on 30 August 2013.	Yes
27-Aug-13	The Internal Auditor to put dates when PMS was reviewed so that it will be clear if it has been actioned or not	Yes
	The Draft AFS were noted and they be submitted to the next Full Council Meeting for approving/noting and thereafter be submitted to AG on 30 August 2013.	Yes

13-Dec-13	Minutes of the 01st Audit Minutes of the 01st Audit Committee Meeting which was held on the 21st August 2013, and a continuous meeting which was held on the 27th August 2013 were approved as correct.	Yes
	The municipal manager to give a report to the audit committee on a meeting held with Mr Govender	Yes
	Audit Committee to be informed of the status quo	Yes
	From now on all invoices paid will be stamped with "Paid" stamp	Yes
	The Internal Auditor to include this finding in the matrix and follow it up as to what has been done to mitigate this situation	Yes
	Municipal manager to obtain a report from the Provincial Traffic department and compare it with the internal audit report	No, the Municipal Manager is still awaiting for an official appointment of Community Service Director
	The Internal Audit should include this finding in the matrix to see what has been done, when and by whom.	Yes
	The internal auditor to submit internal audit reports to the municipal manager for clarification before they are brought to the audit committee meetings.	Yes
	The internal auditor to include an executive summary and risk ratings in the internal audit report	
	A loss control policy would be revised and forwarded to the Chief Financial officer for review and to Council for approval	Yes, Policy is available for inspection
	An Acting Health and Safety Officer has been appointed and approval was obtained from Exco to fill this position	Yes

Nomination of the Health and Safety representatives is still in process	Yes
We will develop the required evacuation plan. The analyses of status quo is currently undertaken	Yes, advert is available for inspection
We will develop the register for injury on duty	No, follow up was performed by Internal Auditor- the register is not yet available
Agreed. The Assets clerk will ensure that investigations are conducted and the investigation report includes investigation date and the name of the investigator.	Yes
The Internal Auditor to inspect financial disclosure forms and update the matrix	Yes
The Internal Auditor to discuss medium and low risk findings with staff and management and clear such findings.	Yes
Internal Auditor to use professional judgement on correction of errors	Yes
Housekeeping issues should not be brought to the attention of the audit committee	Yes
The policy would be updated with assistance from COGTA	Yes
All subsistence and travel claims to go via budget officer before approval by the relevant HOD's and by the Municipal Manager.	Yes

	For all findings with low and medium risks which can be eliminated immediately, the internal auditor can go to the person and correct the situation. The Internal auditor can also bring it to the audit committee and show that it has been resolved.	Yes
	To rephrase the audit committee report on performance and the readiness of the AFS.	Yes
31-Jan-14	The Internal Auditor to give assurance on leave register that it will be validated and verified up to the end of June 2014.	Yes
	Tracking mechanism to be in place for Audit Committee to view what progressive spent has been made on infrastructure funds.	No, awaiting for Technical Director to give feedback
	Internal Auditor to follow-up on matters raised to ensure that they are attended to by relevant HOD/Department.	Yes
	It was recommended that the volumetric assessment /work study be done whenever issues do not achieve the objective of outcome and where staffing is indicated as a problem.	No, The municipal manager has developed an hourly assessment time sheet, the UNION are not happy with that method but the MM is still engaging the representative regarding this matter.
	Internal Auditor to give Prof the contact number of MPAC Chairperson so that he communicates that they must ensure that they are part of Audit Committee Meetings.	Yes
	Internal Auditor to get the checklist from AG which they are focussing on and check to monitor if HOD's are attending to issues to help with AG Clean Audit.	Yes
	Committee noted that the Municipal Manager was contacted by the Chairperson during the Meeting, and he promised to finalise/rectify the matter in two weeks, as the Committee is seriously concerned about this and those monies to be recovered from the concerned Manager after investigation has been done.	No, matter was referred to EXCO

	Serious concerns to be put in writing to the Municipal Manager, failing that, the matter will be reported to MPAC, as these matters can lead to suspension by Council for not acting in accordance to the advert e.g. salary package and Rental as it will affect the Audit Outcome.	Yes
	The Internal Auditor to submit an item to Council pertaining to "market related value" as the municipality's norm was 6%.	Yes
	Municipal Manager must ensure that documents are available and should not be exposed to limitation of scope due to lack of information.	Yes
	Adequate training of all Legislation, Acts and Policies should be conducted to employees from day of resuming duties and Management should also consider refresher courses to staff.	Yes
	Consideration to be given to developing KPI for compliance with Legislation i.e. MFMA, Basic Conditions of Employment, Performance, Performance Management, etc.	Yes
	Lack of performance by staff should be taken into consideration by Municipal Manager.	Yes
	Internal Auditor to give Performance Contracts of Section 56 and 57 employees to Mr Govender to review.	No, the Contract of PWC Expired on the 31 December 2013
	Training on fraud prevention to be conducted. Register of fraud and corruption to be in place	No, Cogta has offered to render the Anti fraud and corruption workshop. It is Scheduled for the 15th of September 2014
20-Jun-14	The Chairperson of the Committee recommended that the minutes should be added a section for a " Chairperson Signature" and the " date" on the last page.	Yes
	Follow up will be conducted to view the progress in the spending on the Municipal Infrastructure Grant.	Yes
	The Internal Audit Action Plan is developed and has been circulated to all relevant departments to monitor the progress of the Internal Audit Findings.	Yes

All the Internal Audit Findings will also be discussed in MANCO level.	No, Internal Audit has not yet received the feed back from all department except the department of the Municipal Manger.
The Internal Audit Action Plan is developed and it has been circulated to all relevant departments to monitor the progressive of the Internal Audit Findings.	Yes
Salary on the appointment letter does not agree to the salary on the system: This matter will be discussed in the full council.	Yes
The guidelines will be used to check whether the CFO is paying the correct rent amount.	Yes
Policies will be reviewed in the Strategic Planning.	Yes
The AFS will be submitted to Audit Committee on the 18th of August 2014 and to MPAC on the 21st of August 2014 and to Council on the 26th of August 2014, but it was agreed to be postponed to the 23rd of August 2014 for Audit committee and for MPAC it will submitted on the 25th of August 2014,	Yes
Follow up will be done on the readiness of AFS and the assurance that AFS would be done on time.	Yes
AFS will be done with the participation from COGTA.	Yes
PMS will be included in the checklist.	Yes
Dates were changed: year 2012 were changed to year 2013; 2013 to 2014.	Yes
Checklist will be presented to every Audit Committee meetings.	No, applicable next financial year
Annual Audit Plan approved subject to addition of three identified projects from Risk register, namely: Waste Management; Building Control and Follow-up on Business Support Technology.	Yes
The Internal Audit Annual Plan should be in the matrix form	Yes

The changes will be highlighted in the next review of Audit Committee Charter.	Yes
The Performance section for Charter will be forwarded to J. Soobramoney to be reviewed.	Yes
Provincial COGTA and Provincial Treasury will be added in the attendance by officials and other parties section.	Yes
Other municipality will be consulted as to how they remunerate Audit Committee members.	Yes
Audit Committee Charter will be forwarded to COGTA.	Yes
"Board of Directors" will changed to "Councillors"	No, it was stipulated so in the MFMA (Section 165)
Sentence "also facilitate the preparation of Risk Management Strategy and Fraud Prevention Plan" should be added at the end of the paragraph.	Yes
Assessments will be performed in the Finance Department and that assistance will be requested from COGTA.	No, currently the assistance is provided by the Provincial Treasury
COGTA will be invited to conduct training on performance.	
Annual Internal Audit Plan status will be reported on the quarterly basis.	No, applicable next financial year
The letter will written and submitted to the Municipal Manager requested the departments to submit performance information monthly.	Yes
PMS & Risk Manager recommended that the contract for Mr LMV Cele and Mr MR Mthethwa should be amended to correct the error that has been noted.	Yes

	Business Support: Information Technology will be added to Internal Audit Annual Plan for 2014/2015 as follow up.	Yes
	Building Control will be added as full scope review in the Internal Audit Annual Plan for 2014/2015 Financial year.	Yes
	Waste Management will be added in the Internal Audit Annual Plan 2014/2015.	Yes
	Clarity will be requested from Treasury.	Yes
	Draft report will be forwarded to Full Council	Yes
	This matter will not be removed from third quarter audit committee report.	Yes
	The next meeting will be on the 22nd of August 2014.	No, it was postponed to the 23rd of August
	The report for Fuel Abuse will be submitted to MPAC for further investigation.	Yes

APPENDIX H: Long Term Contracts & Public Private Partnerships

Long Term Contracts (20 Largest Contracts Entered into during Year 2013/14)					
					R' 000
Name of Service Provider (Entity or Municipal Department)	Description of Services Rendered by the Service Provider	Start Date of Contract	Expiry date of Contract	Project manager	Contract Value
KPMG	ASSET REGISTER	21-May-13	ONGOING	CFO	698
CONSTRUCTABILITY	HIGH MAST LIGHTS - NCOTSHANE	18-May-13	ONGOING	HOD: Technical Services	2 443
DIXIE BAY TRADING	SURFACING OF GRAVEL ROADS IN NCOTSHANE	31 May 2013	ONGOING	HOD: Technical Services	24 934
BPG MASS APPRAISALS	VALUATION ROLL	07-Dec-12	30-Nov-17	CFO	2 182
PONGOLA ADVERTISER	WEBSITE	01-May-13	30-Apr-14	HOD: Corporate Services	174

Public Private Partnerships Entered into during Year 2013/2014					
					R' 000
Name and Description of Project	Name of Partner(s)	Initiation Date	Expiry date	Project manager	Value
None					
					<i>TH.2</i>

APPENDIX J: Disclosures of Financial Interests

Disclosures of Financial Interests		
Period 1 July 2013 to 30 June 2014 of Year 2013/2014 Financial Year (Current Year)		
Position	Name	Description of Financial interests* (Nil / Or details)
Mayor	Cllr M M Hadebe - Mayor	Mlavuthema cc -20%, Remuneration as Educator - +/- R 21400
Member of MayCo / Exco	Cllr J B Ngema - Dep Mayor	Nil
	Cllr H V Ngcamphalala - Speaker	Vikalex cc - remuneration R Nil, Herbs Visioneering - remuneration R nil
	Cllr M B Makhoba	Nil
	Cllr E N Buthelezi	Nil
	Cllr A Z Thabede	House 1166 m ² - Ncotshane. Value +/- R 350 000
Councillor		
	Cllr N J Mkhwanazi	Imasakhane Co-operative, Ndle and Nqaba Trading Enterprice cc, House B1314.
	Cllr D Nyawo	Nil
	Cllr J C Theron	Mnzaan Game amusements - 100% value +/- R600 000, Kanivet cc - inactive, Kwalitron - inactive, Remuneration as owner/Manager - R 15k - R30k p/m
	Cllr M J Phakathi	Remuneration as educator R 22661 p/a
	Cllr J P Ngwenya	Kusasuka Farming cc - 100%, Kusasuka Farming cc remuneration/income - R 120 000, House in Newcastle - value R 480 000
	Cllr M S Mtungwa	Remuneration as educator R 12000
	Cllr B H Nkosi	Zibike Construction cc, Stock farming remuneration/income - R 50 000, Taxi owner remuneration/income - R 72 000
	Cllr S R Simelane	Nil
	Cllr M M Mntungwa	Remuneration as an Educator - R 8465.44
	Cllr F F Simelane	Nil
	Cllr N P Mavuso	Nil
	Cllr N M Mkhwanazi	Nil

Cllr M P Khumalo

Qalakahle co-operaive - value R 0.00

Position	Name	Description of Financial interests* (Nil / Or details)
	Cllr M J Dlamini	Remuneration as an Educator - R32500.00
	Cllr C N Mavundla	Remuneration as an Educator - R 12921.25, House B2205 Ncotshane - value R 60 000
	Cllr M C Nkumane	Work at Mbhekiseni
	Cllr Z L Nxumalo	26 Shares -Telkom & MTN, Zwide Tarven - remuneration - R 30 000 p/a, Farm - 13.5 hectors - value unknown, house - value unknown
	Cllr N T Gumbi	Nil
	Cllr K E Nxumalo	Remuneration as an Educator - R 28 000, House B1808 Ncotshane - R 240 000
	Cllr B C Nhlabathi	Nil
Municipal Manager	Mr N. M. Mabaso	House - 800m ² Bellevue - value R 1.1m, House 420 m ² - Imbali - value R 500 000, House 400 m ² - Golf Field - value R 550 000
Chief Financial Officer	Mr M. R. Mthethwa	Nil
Other S57 Officials		
HOD Technical Services	Mr L.M.V Cele	House -700m ² KwaDukuza - value R 800.00
HOD Community Serives	Ms Boniwe Zulu	Lihle skills development - 50% - not in use, Paylu Trading - 100% - not in use

APPENDIX K(i) : Revenue Collection Performance by Vote

	Budget Performance by Vote						
Vote Description	2011/12	2012/13	Current Year 2013/14			variance %	
	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Actuals	% original budget	% Adjustment budget
Revenue by Vote	R	R	R	R	R		
Vote 1 - Governance and Administration	11 078 884	9 777 475	15 675 000	15 675 000	15 430 486	98	98
Vote 2 - Financial Services	70 392 919	39 729 896	34 701 823	39 167 579	39 060 215	113	100
Vote 3 - Corporate Services	398 456	11 081 650	13 516 733	13 935 334	13 301 497	98	95
Vote 4 - Community and Social Services	3 731 772	4 545 310	3 615 619	3 748 997	3 497 651	97	93
Vote 5 - Sports and Recreation	54 020	1 502 611	2 250 688	3 450 688	5 780 125	257	168
Vote 6 - Public Safety	659 565	6 845 065	7 724 136	7 724 136	5 871 891	76	76
Vote 7 - Planning and Development	12 338 751	22 221 336	28 882 768	47 307 769	34 859 467	121	74
Vote 8 - Roads Transport	2 330 089	6 244 215	7 494 785	7 494 785	7 939 829	106	106
Vote 9 - Environmental Protection	-	317 891	-	-	-		
Vote 10 - Other	258 029	1 744 486	1 802 497	1 802 497	901 070	50	50
Vote 11 - Housing	-	-	444 000	444 000	-	0	
Vote 12 - Electricity Services	18 308 953	27 728 118	40 202 721	40 607 786	36 175 601	90	89
Vote 13 - Water Services	-	-	-	-	-		
Vote 14 - Waste Water Management	-	-	-	-	-		
Vote 15 - Waste Management	4 924 614	5 996 301	6 160 242	6 784 470	7 095 710	115	105
Total Revenue by Vote	124 476 052	137 734 354	162 471 012	188 143 041	169 913 542	105	90
<i>Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual. This table is aligned to MBRR table A3</i>							

APPENDIX K (ii): Revenue Collection Performance by Source

	Budget Performance by source						
Description	2011/12	2012/13	Current Year 2013/14			% variance	
	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Actuals	original budget	adjustment Budget
Revenue By Source	R	R	R	R	R		
Property rates	10 952 387	14 051 255	13 837 153	17 796 650	17 822 137	129	100
Property rates - penalties & collection charges	-	-	-	-	-		
Service charges - electricity revenue	18 308 953	23 366 449	23 867 745	24 272 810	25 413 193	106	105
Service charges - water revenue	-	-	-	-	-		
Service charges - sanitation revenue	-	-	-	-	-		
Service charges - refuse revenue	4 924 614	5 418 992	5 617 026	6 388 634	6 416 174	114	100
Service charges - other	-	-	-	-	-		
Rental of facilities and equipment	394 131	577 763	868 665	1 308 385	615 903	71	47
Interest earned - external investments	1 068 721	1 043 223	1 314 190	1 376 569	1 605 345	122	117
Interest earned - outstanding debtors	2 797 003	3 281 996	3 369 562	3 602 357	4 054 621	120	113
Dividends received	-	-	-	-	-		
Fines	-	691 536	374 297	374 297	377 959	101	101
Licences and permits	2 330 089	2 142 991	2 315 037	2 293 917	1 669 110	72	73
Agency services	610 332	706 038	679 536	679 536	679 536	100	100
Transfers recognised - operational	57 611 081	66 485 543	72 388 250	73 197 250	109 416 668	151	149
Other revenue	9 017 011	4 778 985	4 778 985	4 778 985	1 842 896	39	39
Gains on disposal of PPE	16 610	101 475	-	-	-		
Total Revenue (excluding capital transfers and contributions)	108 030 932	122 646 246	129 410 446	136 069 390	169 913 542	131	125

APPENDIX L: Conditional Grants: excluding MIG

Conditional Grants: excluding MIG						R' 000
Details	Budget	Adjustments Budget	Actual	Variance		Major conditions applied by donor (continue below if necessary)
				Budget	Adjustments Budget	
Planning & Development Grant	48	48	-	0%	0%	conditions still to be met under Planning & Development Grant the purpose for this grant is to assist with the implementation of development administration capacity.
Finance Management Grant	1 650	1 650	1 650	100%	100%	the purpose for this grant is to assist with the implementation of Municipal Finance Management act (MFMA)
<i>administration Capacity building Grant</i>	206	206	-	0%	0%	condition still to be met under administration capacity building the purpose for this grant is admin capacity building.
<i>Synergistic Partnerships Grant</i>	123	123	-	0%	0%	condition still to meet under Synergistic partnerships the purpose for this grant is to facilitate involvement of traditional leaders in council meetings.
Strategic Support Grant	94	94	-	0%	0%	condition still to be met under Strategic support grant the purpose of this grant is unknown
Integrated electrification Reds	98	98	-	0%		Condition still to be met under Integrated electrification Reds grants the purpose of this grant is to assist the Municipality in preparing for integration into Regional electricity distributor.
Housing Community Gardens Grant	73	73	-	0%	0%	condition still to be met under Housing community Gardens grant the purpose of this Grant is to assist the Municipality with the establishment of community gardens.
municipal system improvement Grant	890	890	890	100%	100%	the purpose for this grant is to assist in building in house capacity to perform municipal functions and stabilise institutional and governance systems.
Tourism Grant	291	291	-	0%	0%	condition still to be met under Tourism Candover info and centre grant the purpose of this Grant is to promote tourism in Condoover.
Details	Budget	Adjustments Budget	Actual	Variance		Major conditions applied by donor (continue below if necessary)
				Budget	Adjustments Budget	

Sub Rank Facility grant	3 000	6 000	3 702	123%	62%	Condition still to be met under Sub rank facility grant the purpose of this Grant is to construct the Sub rank in Pongola town.
LED Flea Market grant	3 660	3 660	2 875	79%	79%	Condition still to be met under LED Flea market grant the purpose of this Grant is to construct the LED Flea market in Pongola town.
Pound Grant	490	490	-	0%	0%	condition still to be met under Pound grant the purpose of this Grant is to construct the Pound in Pongola Municipal area.
Small Town improvement (Street lights & high mast)	3 000	3 000	2 341	78%	78%	condition still to be met under Small town improvement (street lights/high mast grant the purpose of this Grant is to install street lights and high mast in Pongola town.
Integrated national electrification programme grant	522	522	7 539	1444%	1444%	the purpose for this grant is to address the electrification bag logs in Pongola Municipal areas by Rehabilitating and Installing bulk electricity infrastructure
Cultural Village Grant	3 000	3 000	1 507	50%	50%	condition still to be met under Imbube Cultural village grant the purpose of this Grant is to construct the Imbube cultural village to boost tourism in Pongola.
Expanded Public Works Programme grant	1 823	1 823	1 823	100%	100%	condition still to be met under Expanded public works programme grant the purpose of this Grant is to increase job creation efforts in infrastructure, environment and culture programmes through the use of labour.
Thusong Centre operational Grant	308	308	308	100%	100%	condition still to be met under Imbube Thusong centre operational grant the purpose for this grant is to support operational cost for Thusong centre
Sports Facility Grant	1 725	1 725	1 694	98%	98%	condition still to be met under Sport facility grant the purpose of this Grant is to upgrade the sport facility at ncotshane Township.
Municipal Development Planning & Capacity Building	100	100	-	0%	0%	the purpose for this Grant is assist the Municipality with capacity development
Community Library Service	19	19	19	100%	100%	the purpose for this grant is to pay the salary of library Cyber Cadet
Provincialisation of libraries Grant	886	886	440	100%	100%	the purpose of this grant is to subsidise staffing costs associated with libraries
Sports Facility Maintainece Grants	150	150	74	49%	49%	the purpose of this grant is to subsidise maintainece costs associated with sport field faciltities
Total	22 156	25 156	24 862	112%	99%	
<p>* This includes Neighbourhood Development Partnership Grant, Public Transport Infrastructure and Systems Grant and any other grant excluding Municipal Infrastructure Grant (MIG) which is dealt with in the main report, see T 5.8.3. Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual. Obtain a list of grants from national and provincial government.</p>						

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APPENDIX M (i): Capital Expenditure - New Assets Programme

Description	2011/12	2012/13	Current Year 2013/14			% variance	
	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Actuals	original	adjustment
	R	R	R	R	R		
CAPITAL EXPENDITURE							
Total New Assets	38 076 496.00	19 232 011.00	51 699 250.00	59 807 750.00	30 583 756.00		
Infrastructure - Road transport	16 884 908.00	14 276 995.00	15 504 000.00	21 504 000.00	17 678 085.00	114.02	82.21
Infrastructure - Electricity	15 205 964.00	3 133 119.00	14 000 000.00	19 061 000.00	8 345 143.00	59.61	43.78
Infrastructure - Water	-	-	-	-	-		
Infrastructure - Sanitation	-	-	-	-	-		
Infrastructure	32 090 872.00	17 410 114.00	29 504 000.00	40 565 000.00	26 023 228.00		
Community	-	-	6 651 750.00	9 851 750.00			
Heritage assets	-	-	-	-	-		
Investment properties	-	-	-	-	-		
Other assets	5 985 624.00	1 821 897.00	15 543 500.00	9 391 000.00	4 560 528.00	29.34	48.56
Agricultural Assets	-	-	-	-	-		
Biological assets	-	-	-	-	-		
Intangibles	-	-	-	-	-		
Total Renewal of Existing Assets	-	-	5 928 000.00	5 928 000.00			
Infrastructure - Road transport	-	-	1 545 000.00	1 545 000.00			
Infrastructure - Electricity	-	-	-	-	-		
Infrastructure - Water	-	-	-	-	-		
Infrastructure - Sanitation	-	-	-	-	-		
Infrastructure	-	-	1 545 000.00	1 545 000.00			
Community	-	-	-	-	-		
Heritage assets	-	-	-	-	-		
Investment properties	-	-	-	-	-		
Other assets	-	-	2 483 000.00	2 483 000.00			
Agricultural Assets	-	-	-	-	-		
Biological assets	-	-	-	-	-		
Intangibles	-	-	1 900 000.00	1 900 000.00			
Total Capital Expenditure							
Infrastructure - Road transport	16 884 908.00	14 276 995.00	17 049 000.00	23 049 000.00	17 678 085.00	103.69	76.70
Infrastructure - Electricity	15 205 964.00	3 133 119.00	14 000 000.00	19 061 000.00	8 345 143.00		
Infrastructure - Water	-	-	-	-	-		
Infrastructure - Sanitation	-	-	-	-	-		
Infrastructure - Other	-	-	-	-	-		
Infrastructure	32 090 872.00	17 410 114.00	31 049 000.00	42 110 000.00			
Community	-	-	6 651 750.00	9 851 750.00			
Heritage assets	-	-	-	-	-		
Investment properties	-	-	-	-	-		
Other assets	5 985 624.00	1 821 897.00	18 026 500.00	11 874 000.00	4 560 528.00	25.30	38.41
Agricultural Assets	-	-	-	-	-		
Biological assets	-	-	-	-	-		
Intangibles	-	-	1 900 000.00	1 900 000.00			
TOTAL CAPITAL EXPENDITURE - Asset class	38 076 496.00	19 232 011.00	57 627 250.00	65 735 750.00	30 583 756.00	53.07	46.53

APPENDIX N: Capital Programme by Project: year 2013/14

Capital Programme by Project: year 2013/14					
					R' 000
Capital Project	Original Budget	Adjustment Budget	Actual	Variance (Act - Adj) %	Variance (Act - OB) %
Water					
Sanitation/Sewerage					
Electricity					
Prepaid meters			-		
Small town beatification (Streetlights /High mast)	3000	3000	2340	78	78
Electricity infrastructure	523	523	7539	1441	1441
Housing					
Refuse removal					
storm water					
Roads & storm water (access Roads	22 500	37 881	19 513	52	87
Economic development					
LED Flea Market	3660	3660	2875	79	79
Imbube Cultural Village	3000	3000	1507	50	50
Sub Tax Rank	3000	6000	3702	62	123
Sports, Arts & Culture					
Ncontshane Sport field	1725	1725	1694	98	98
Health					
Safety and Security					
Fire safety & emergency	550	0	-	0%	0%
ICT and Other					
Computer Equipment	886	306	135	44%	15%
Buildings	8000	-	-	0%	0%
Plant & Machinery	-	-			
Land	-	-	9		
Furniture & office Equipment	1 320	1 320	247	19%	19%

APPENDIX O: Capital Programme by Project: year 2013/14

Capital Programme by Project by Ward: Year 2012/2013			R' 000
Capital Project	Ward(s) affected	Works completed (Yes/No)	
Water			
Sanitation/Sewerage			
Electricity			
Prepaid meters	11	no	
Small town beatification (Streetlights /High mast)	2,10,and11	no	
Electricity infrastructure	6,12,05,	no	
Housing			
Refuse removal			
storm water			
Roads & storm water (access Roads	1,2,3,4,5,6,7,8,9,10,11,12,13,14	no	
Economic development			
LED Flea Market	11	no	
Imbube Cultural Village	01	no	
Sub Tax Rank	11	no	
Sports, Arts & Culture			
Ncontshane Sport field	2	no	
Health			
Safety and Security			
Fire safety & emergency			
ICT and Other			
Computer Equipment	n/a	n/a	
Buildings	n/a	n/a	
Plant & Machinery	n/a	n/a	

Land	n/a	n/a
Furniture & office Equipment	n/a	n/a

APPENDIX P: Service Backlogs: Schools and Clinics

Service Backlogs: Schools and Clinics				
Establishments lacking basic services	Water	Sanitation	Electricity	Solid Waste Collection
Schools (NAMES, LOCATIONS)				
Clinics (NAMES, LOCATIONS)				
Names and locations of schools and clinics lacking one or more services. Use 'x' to mark lack of service at appropriate level for the number of people attending the school/clinic, allowing for the proper functioning of the establishment concerned.				
T P				

APPENDIX Q: Service Backlogs Experienced by the Community where another Sphere of Government is the Service Provider

Service Backlogs Experienced by the Community where another Sphere of Government is the Service Provider (where the municipality whether or not act on agency basis)		
Services and Locations	Scale of backlogs	Impact of backlogs
Clinics:		

Ward 7	Kwalubisi area	
Ward 8	Phondwane & Bhembe areas	
Ward 9	Madanyini & Mbhekwa areas	
Housing:		
Ward 3	3850	
Ward 4	2086	
Ward 5	730	
Ward 6	2330	
Ward 9	2050	
Ward 10	350	
Licencing and Testing Centre:		
Reservoirs		
Services and Locations	Scale of backlogs	Impact of backlogs
Schools (Primary and High):		
Ward 7	Kwalubisi	School for Disabled kids
Ward 8	Ngwabi	Community High School
Ward 9	Kwesenkhele, Qwaqwa, Mgrura & Mbhekwa	Pre-schools

Sports Fields:		
Ward 3	Kwamsibi & KwaSbiya	
Ward 4	Mabophe	Upgrade to to multi-sport centre
Ward 6	Tharraeo, Kwankundla, Klipwal, Emabovu, Manzabovu, Thosozane, Altona, Kumgwandla, Kumagpanda & Hanafu areas	

Services and Locations	Scale of backlogs	Impact of backlogs
Ward 7	Kwalubisi	Multi sports ground
Ward 8	oPhondwane, Kwamafela, Mzinsangu, Kwabhembe, Ejordan, Embangweni, eNgwabi & Kwashoba	
Ward 9	Madanyini	
Ward 10	Ncontshane	Construction of modern sport field

APPENDIX R: Declaration of Loans and Grants made by the municipality

Declaration of Loans and Grants made by the municipality: Year 2013/2014				
All Organisation or Person in receipt of Loans */Grants* provided by the municipality	Nature of project	Conditions attached to funding	Value Year 0 R' 000	Total Amount committed over previous and future years
None	N/A	N/A	N/A	N/A
* Loans/Grants - whether in cash or in kind				T R

APPENDIX S: National and Provincial Outcomes for Local Government

National and Provincial Outcomes for Local Government		
Outcome/Output	Progress to date	Number or Percentage Achieved
Output: Improving access to basic services		
No of households with refuse removal services	Service providers to be appointed to assist with the refuse collection	3918
Households Receiving free basic services	Households benefit from Free basic electricity and alternative energy (Gel)	5100
Output: Implementation of the Community Work Programme	Programme fully implemented	100%
Employment created	Employment created for unemployed people	1000
Output: Deepen democracy through a refined Ward Committee model		
Ward committees established	Ward committees exist in all 14 wards	100%
Functional Ward Committee	All the ward committees are fully functional	100%
Output: Administrative and financial capability		
Annual budget tabled and approved	Annual budget tabled and approved per regulation	100%
Conditional Grant Expenditure	60% of the receipts for the year were spent	60.10%
<i>* Note: Some of the outputs detailed on this table may have been reported elsewhere in the Annual Report. Kindly ensure that this information consistent.</i>		
T S		

GLOSSARY OF TERMS AND ABBREVIATIONS

Accessibility indicators	Explore whether the intended beneficiaries are able to access services or outputs.
Accountability documents	Documents used by executive authorities to give "full and regular" reports on the matters under their control to Parliament and provincial legislatures as prescribed by the Constitution. This includes plans, budgets, in-year and Annual Reports.
Activities	The processes or actions that use a range of inputs to produce the desired outputs and ultimately outcomes. In essence, activities describe "what we do".
Adequacy indicators	The quantity of input or output relative to the need or demand.
Annual Report	A report to be prepared and submitted annually based on the regulations set out in Section 121 of the Municipal Finance Management Act. Such a report must include annual financial statements as submitted to and approved by the Auditor-General.
Approved Budget	The annual financial statements of a municipality as audited by the Auditor General and approved by council or a provincial or national executive.
AR	Annual Report
Baseline	Current level of performance that a municipality aims to improve when setting performance targets. The baseline relates to the level of performance recorded in a year prior to the planning period.
Basic municipal service	A municipal service that is necessary to ensure an acceptable and reasonable quality of life to citizens within that particular area. If not provided it may endanger the public health and safety or the environment.
BDS	Blue Drop Status
Budget year	The financial year for which an annual budget is to be approved – means a year ending on 30 June.
Cost indicators	The overall cost or expenditure of producing a specified quantity of outputs.
DBSA	Development Bank of Southern Africa
Distribution indicators	The distribution of capacity to deliver services.
DMA	District Management Area
DoT	Department of Transport
DWA	Department of Water Affairs
EXCO	Executive Committee
F/Y	Financial Year
Financial Statements	Includes at least a statement of financial position, statement of financial performance, cash-flow

	statement, notes to these statements and any other statements that may be prescribed.
GAMAP	Generally Accepted Municipal Accounting Practice
GDS	Green Drop Status
General Key performance indicators	After consultation with MECs for local government, the Minister may prescribe general key performance indicators that are appropriate and applicable to local government generally
GRAP	Generally Recognized Accounting Practice
HR	Human Resources
IGR	Inter-Governmental Relations
LED	Local Economic Development
LGSETA	Local Government Sector Education and Training Authority
MDG	Millennium Development Goals
MFMA	Municipal Finance Management Act
MSA	Municipal Systems Act, 32 of 2000
MTAS	Municipal Turn Around Strategy
NTP	National Transferee Programme
PMS	Performance Management System
RPMS	Regulatory Performance Management Systems
SDL	Skills Development Levy
VAT	Value Added Tax
WSP	Workplace Skills Plan